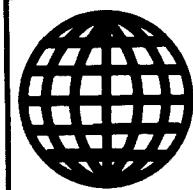


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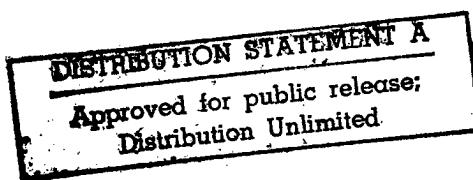


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Slavyani Bank Chairman on Ties to Foreign Banks

92BA1121A Sofia DELOVI SVYAT in Bulgarian
5 Jun 92 p 2

[Interview with Atanas Tasev, deputy chairman of the board of directors of the Slavyani Bank, by Mara Georgieva; place and date not given: "The Slavyani Bank Will Give Fresh Blood to Our Economy"]

[Text] [Georgieva] Who is backing the Slavyani Bank, and what statutory capital does it have?

[Tasev] The initial capitalization of the Slavyani Bank was 250 million leva. The day it was established, 298 million leva were subscribed. However, because of our strategy related to operations on the international capital market and the BNB [Bulgarian National Bank] requirement that a bank's statutory capital amount to 500 million leva, at present we actually have subscribed capital amounting to some 470 million leva. We intend to file documents to acquire a full license from the Bulgarian National Bank.

[Georgieva] What strategy will the Slavyani Bank pursue?

[Tasev] The bank's strategy will be worldwide. To date, in Bulgaria there have been purely Bulgarian banks with licenses to conduct operations in the country, and a few banks licensed to engage in operations outside the country and having a developed network of foreign correspondents. There is a plan to build a Bulgarian-Russian bank to be known as "Bulinkom." There is also a U.S.-Bulgarian bank. However, there has been no bank structure that could combine Western capital, Bulgarian capital, and Eastern capital, conventionally speaking.

[Georgieva] Is that what makes the Slavyani Bank different from other banks in Bulgaria?

[Tasev] The thing that distinguishes it from the already existing banking structures in Bulgaria is precisely the fact that we are working on the basis of a triangular structure. In all cases, the tip of the triangle has a balanced capital unit such as the various convertible currencies. Under such circumstances, the operational space and, I would say, the strategic space of the bank becomes incredibly broader.

[Georgieva] Who are the bank's stockholders?

[Tasev] Conventionally speaking, the Eastern stockholders are Moscow's Sigma Kommercheskiy Bank, Mosbizesbank, the Ukraine's Inkobank, Kramgsbank, and Kazakhstan's Kramgs Association. We are engaged in talks with Inkombank (the talks started on 27 and 28 May in Moscow) about their participation. Our Western cofounders and correspondents are Swiss banks; the Ufi concern, represented by Mr. Basan; Geneva's Cantonal Bank; the French Credit Lyonnais; the Danish Handelsbank; Citibank, represented by Mr. Mark Livion; Hapoalim, which is the biggest Israeli bank; and Bafak,

which is a Bavarian bank. On the Bulgarian side, we have physical and legal entities representing individual companies and private individuals. In terms of a percentage ratio, approximately 45 percent is Western capital, about 20 percent is shares owned by Eastern banks and legal entities, and the balance is Bulgarian.

[Georgieva] How does the existence of such a bank benefit the country?

[Tasev] First and foremost, the country will profit from the bank's strategy. Our intention is to facilitate major international projects that touch upon privatization in Bulgaria and in the countries of the former USSR. We are faced with a paradox: Considering the present condition of the capital markets, the bank has set aside funds for development and restoration, to be used in Central and East Europe. At the same time, we and the representatives of Russia, Ukraine, and the other countries have not reached a level of competence that would enable us, based on the requirements of international banking institutions, to submit projects that could be sufficiently well substantiated to allow for investments. The result is something like "water, water everywhere, and not a drop to drink." There is money available, we would like to have it, but we are yet able to do so. For that reason, the Slavyani Bank will set up strong groups of experts who will help to redirect such funds to Bulgaria or, through Bulgaria, to Russia, Ukraine, and the other members of the commonwealth. Finances are the blood of an economy and a guarantee of prosperity. There are funds available, there is sufficient brain power, there is the will to use such money. Henceforth, the results should be only positive. This determines the more specific strategy of the bank: Its main activities must consist of credits and investments.

[Georgieva] Will any services be provided to the citizens?

[Tasev] Not initially because services to citizens require a sufficiently developed infrastructure. In the first few months, we shall simply have no possibility of providing such services. Strategically, however, for this bank to be a full-service bank, it should have the possibility to provide such services.

[Georgieva] What will you do at the start?

[Tasev] We shall begin by developing a structure and establishing a communication and purely banking system, determining the positions to be held and establishing correspondent contacts with our stockholders. We shall immediately start work on participation in several projects in Russia and Ukraine, talk about which would be premature. Such projects will actually make operational the capital at the disposal of the bank and help channel additional capital.

Powers Requested by Havel in 1991 Recalled

*92CH0832B Prague LIDOVE NOVINY in Czech
28 Jul 92 p 3*

[Article by (jBs): "The Position of the Head of State According to Vaclav Havel"]

[Text] *In conjunction with the preparation of the constitution of the Czech Republic, there is frequently a discussion of the position of the head of the Czech State. Vaclav Havel, who is considered to be a serious candidate for this office, worked out a proposed Federal Constitution in 1991 in which he published his ideas regarding the position and authorities of the president (even though, at that time, this was still a Czechoslovak president).*

According to this proposal, the president represents the state to the outside; among other things, he negotiates and ratifies international treaties, receives and commissions ambassadors. He convenes the newly elected parliament for its first session. In certain cases, he may dissolve parliament. He has the right to present to the parliament proposed laws and signs laws passed by parliament. He can present parliament with a report on the state of the Republic and on important political questions, proposals for necessary measures, and may attend the sessions of parliament. He nominates and recalls the prime minister and other members of the government and entrusts them with directing the individual ministries. He has the right to be present at meetings of the government and chairs them, he has the right to require the government and its individual members to submit reports to him and to discuss questions requiring solution with the government.

The president should not be directly accountable for the execution of his office. His statements having to do with the execution of his function should be the responsibility of the government. That is why governmental and executive actions should require the signature of the appropriate member of the government in order to be valid. The same would be true of presidential decrees.

After dissolving parliament, the president could, by issuing a decree, take measures which might otherwise require passage of the law. The president could dissolve parliament only in the event he repeatedly declines to express his confidence in the government over a short period of time or if he were to express his lack of confidence in the government.

Upon the proposal of the government, the president would be authorized to proclaim that a state of war exists and, based on the decision of parliament, to declare war, to declare and nullify a status of threat to the state; to proclaim a statewide referendum.

The president would have even additional customary authorities held by a head of state; primarily he would appoint the higher-ranking state officials, he would confer decorations, and would proclaim amnesties.

According to that proposal made by Vaclav Havel, the president should be elected for a period of five years by parliament. In the event he fails to attain a three-fifths majority of the votes, the election should be repeated and, this time, an above-50-percent majority of the votes would be sufficient. In the event the president fails to be elected even on the second try, direct elections would be held.

Political Opposition to Division of State Viewed

*92CH0837A Bratislava NARODNA OBRODA in Slovak
25 Jul 92 p 3*

[Article by Juraj Alner: "Klaus and Meciar Are Cutting Up Our Common Pie—Until the Opposition Regains Consciousness"]

[Text] Right before the eyes of the television viewers Klaus, a federalist by conviction, and Meciar, a confederalist who until recently used to be in tune with the federation, are now arbitrarily cutting up our common state as if it were an underdone pie and each of them could later finish baking slices of it in his own oven. That goes on right before the eyes of the same viewers—our citizens, most of whom have in the latest public opinion poll reiterated their desire to remain in a common state.

One-third of Czech and one-third of Slovak voters elected deputies to the parliaments from among the ODS [Civic Democratic Party] and the HZDS [Movement for a Democratic Slovakia]. How many of those voters would want to see their deputies in the parliament acting like voting machines that bow to partisan discipline and approve every decision of their leaders? Could any of the voters foresee that the superstars of the election campaign, who promised to promptly relieve our citizens from their worries about their livelihood and their future, would use a lightning-swift maneuver to take from them above all the security of coexistence?

Until Thursday many people could not see clearly whether Meciar could still agree with Klaus on some compromise about a "pared-down federation" of the two sovereign republics, but then a statement by Jozef Zeleniec, deputy chairman of the ODS, disabused them of their mistake: "The Slovak partners realized that the path leading to the confederation would result in a chaos, and therefore, they adopted a decision intended to establish two independent states. All that remains to be done are the usual agreements concluded between different states."

Among the political opposition, Jan Carnogursky alone emphatically voiced his disagreement; however, many people dismissed his stance as an attempt to settle his personal accounts with Vladimir Meciar. The Hungarian parties limited themselves to calls for a referendum. As concerns certain specific claims they had expressed, the prime minister of the Slovak Government in his address before the Slovak National Council ten days ago unambiguously stated that "the representative of the ethnic minority is the state." By the way, who represents the

state at this particular time? Is it the government comprised almost exclusively of experts from the HZDS and the Slovak National Council, with the club of HZDS deputies who cannot be outvoted? The boss of the ruling movement has enlightened Peter Weiss that it was time to put an end to the plan for a loose federation because "time does not permit us to consider several alternatives at this point."

When Frantisek Trnka, a deputy of the Czech National Council (chairman of the LSU [Liberal Socialist Union]), recently commented on this issue that not the time frame but the result is important, Jan Kalvoda replied that on the contrary, the process of separation must be completed as speedily as possible. Could it be that Vladimir Meciar is complying with the schedule dictated by the same Czech radicals whom he would reject not so long ago? Could it be that he is afraid that time may be working against him? The rigid unity among the closed ranks of the HZDS will not necessarily be of long duration. After all, the HZDS is just a loose movement that has unified diverse trends.

In its overwhelming majority the press considers it an accomplished fact that our state will be divided. Its readers and foreign representatives may gain an impression that the decision has already been made and nothing can change it. However, Thursday night Meciar truthfully stated that all he and Klaus could do is to propose decisions to legislative bodies and not to replace them. Let us not forget that the political agreements concluded by the HZDS and the ODS must be regarded as nothing more than proposals, even if everybody acts as though they were extremely well-sharpened knives that have already made deep cuts into the pie.

Communist Constitution Said Main Cause of Split
92CH0813A Prague LITERARNI NOVINY in Czech
22 Jul 92 pp 1, 3

[Article by Daniel Kroupa: "The Breakup of Czechoslovakia and the Return of the Czech State"]

[Text] Czechoslovakia is in a crisis. It is breaking up into two states that will have to find their own place in the sun. The entire process seems rather absurd, as it is quite apparent that it will not benefit anyone. What is the real reason for Czechoslovakia's breakup?

Nationalistic reasons are listed first: bad relations between the Czechs and the Slovaks; the natural emancipation process of the Slovak nation that is seeking its culmination in an independent state; the attempt to resolve the coexistence of the Czechs and Slovaks on a new foundation (so far it is not known what kind). As for political reasons, in the second free elections, rightist parties won in the Czech Republic while leftist ones won in Slovakia; such different political orientations in the republics seem to indicate that a breakup is necessary. And, finally, economic reasons come into play. The radical economic reform drafted by Prague economists has more negative social impacts in Slovakia than in

Bohemia-Moravia, and therefore some Slovak economists believe that the speed of the reform needs to be adapted to the specific conditions in Slovakia.

In my opinion, none of these constantly repeated reasons, in fact not even all of them together, would succeed in breaking up our state if it were a normal state. What I mean is that our state is not a normal state, and that is the real reason why it is unable to confront the current difficulties. The root of the whole disaster can be found in the Constitution of the Czechoslovak Federation, and it is called the suspension of majority rule. According to this provision, not only is a more than 50-percent majority of the elected members needed in both chambers of the Federal Assembly, but a more than 50-percent majority of members elected in the Czech Republic and a more than 50-percent majority of members elected in the Slovak Republic is also needed in the Parliament of Nations to pass important laws (and to ratify the government). In practice, the suspension of majority rule means that the country can only be governed if the same, or at least very similar, political powers win a clearly victory in elections in both republics. However, if the results are different, as in the elections of 1992, the suspension of majority rule makes it impossible to create a parliamentary majority that could support the government. The state cannot execute its basic function, and anarchy linked with economic chaos can truly best be confronted if republican agencies assume jurisdiction in their own territories—and this leads to the breakup of the state. Complaining about the unconstitutionality of such a process is unfounded because the task of a constitution is to prevent anarchy and chaos and not to cause it; the duty of governments is to maintain law and order.

Does Czechoslovakia really have to break up? Would it not be easier to remove that absurd provision from the Constitution? But the suspension of majority rule in the Constitution protects itself, because only a three-fifths majority of elected members with suspension of majority rule may decide on its annulment. All previous attempts have foundered on the belief that the suspension of majority rule protects Slovak interests, and therefore not even those Slovak members who realize how absurd it is, dared to vote for its annulment. But that was the way it was before the elections.

Since the elections, the situation has been reversed: through the annulment of the suspension of majority rule, the left wing could form a majority in the Federal Assembly and gain power throughout the federation. We are not living in a normal state, and we do not have a normal left wing because the latter is made up of postcommunist organizations. The return of such a left wing causes terror, or at least awakens the fear that this would not only mean a change in government but in the whole system. After all, if the transformation of the economy were to be impeded, it would almost certainly lead to its termination. Thus, paradoxically, the suspension of majority rule now protects the Czech Republic against the installation of antireform forces at the price

of breaking up Czechoslovakia. Slovakia, where these very forces won in the elections, will be left to its own fate.

Did things really have to go this far? Where did the mistake occur? Answers to such questions lead us into the realm of the historical "if." However, if man is not merely a plaything of anonymous historical forces but a being who has free will within the limits of his abilities, such thoughts are useful. After all, history sometimes repeats itself, so why repeat the same mistakes?

Therefore, next time we have a revolution, we should avoid the natural inclination to share the responsibility for the development with a past, or rather passing, power. If the revolutionary group is not prepared to assume full responsibility, perhaps it should leave the work to others, or at least not be surprised if it loses its legitimacy in the eyes of the public. The essence of a revolution is the negation of past power and of the system it created. The basis of the system is the constitution, and therefore the new revolutionary power must annul that constitution. No, there will not be a danger of legal chaos, the entire legal order will not collapse, as some constitutional lawyers threatened during the course of the Velvet Revolution. Only legal positivists could think that way, and they should not really be troubled by this to any degree. Because, as long as law is not merely an expression of the lawmaker's will but is more or less the successful articulation of natural conditions for human coexistence in society, then private rights will not be affected by changes in the constitution. On the other hand, the constitution and public law are really the total collection of rules of the organization of power. Their preservation gives the impression that the revolution only meant a change in government leaders, that it is based only on personal power interests, and that not much has really changed. The confidence of the public is the capital that the new revolutionary power needs—and the greater the changes it intends to implement, the greater the need for it. Every weakening of the new power's legitimacy is an opportunity not only for defenders of the past power group, whose opportunities to return are disappearing irrevocably, but also for uncompromised competitors seeking positions who are able to present their careerism as professionalism to the public. After all, a careerist usually seeks a position not merely to get it, but so he can use it, and thus bear full responsibility for it. It is not surprising that a power-hungry individual almost looks like a savior, compared to an unassuming intellectual, who is afraid that he may dirty himself if he uses power and does not intend to assume the risk of a change in the power structure.

Perhaps I am exaggerating a little. I merely wish to say that a revolution is an ideal opportunity to change a constitution and to resolve new divisions of power and jurisdiction. If this opportunity is missed, the new regime drags with it the burden of the old regime's sins. And the weaker the new power is, the heavier the burden.

What sins of the past regime are we talking about? Specifically, they are ideological sins, which found expression in the wording of the constitutional law on the Czechoslovak Federation of 27 October 1968. That year many of our reform communists were intoxicated by the thought that they would succeed...in creating the conditions, within a common federal state and in the spirit of the humanitarian concepts of socialism and proletarian internationalism, for the multilateral development, and welfare of all citizens and to guarantee them equal, democratic rights, and liberties regardless of nationality...which they proclaimed in one breath in the preamble to the aforementioned constitutional law, and furthermore, they added...the inalienability of the right to self-determination up to the time of separation for each nation.

Such noble words must surely have filled the heart with feelings of an all-encompassing love for humanity. But it was only possible to combine them all in one sentence if the words were totally deprived of meaning. In the sentence, internationalism embraces nationalism, socialism embraces civil liberties, and democracy embraces national rights. Contradictory principles have been combined through dialectics. I do not mean to ridicule this ideological hodgepodge that still adorns our Constitution; I would merely like to show from where the provisions on the suspension of majority rule came. After all, when the Constitution was being drawn up in 1968, it was not a matter of creating a functioning system based on democratic principles, but of demonstrating to the world that a social order had just been born in our country that had solved age-old problems of humanity. A prerequisite for such an order was the unquestioned leading role of the Communist Party, which enabled the members of the Federal Assembly to vote correctly and unanimously, and thus to easily overcome any constitutional obstacles. However, this prerequisite is certainly not fulfilled in a multiparty system. The contradictions do not combine into a higher unity, they break up the state. Above all, it has not been possible to combine national and democratic principles. A normal state could easily deal with the political and nationalistic problems of the present Czechoslovakia. However, our state is weakened to such a degree that it is unable to confront even weak internal tension; it immediately started to break up. We are lucky that we are not surrounded by aggressive neighbors, and we can hope that they will not try to take advantage of our momentary weakness. However, the breakup will simultaneously mean a new order in Central Europe, which will make a new definition of mutual relations between states inevitable. But such an external definition will have to correspond to some internal definition, which will be able to justify that the newly formed state unit makes sense historically. A purely liberal theoretician will certainly have little understanding for the attempt to formulate some new state concept. For him a state is merely a tool with which to defend the rights and liberties of individuals, and which can be laid aside or exchanged if it does not serve the purpose as it should. A grain of conservatism is

necessary for a person to understand that the state is a value that has to be defended, for which people are sent to their deaths, and for which others voluntarily risk their lives. It is not enough for a state to exist; people must be able to identify with this state. Czechoslovakia has been such a state since 1918. We were Czechoslovaks, and we remained so up to the time when Slovak politicians explained to us that these feelings were based on the attempt of the stronger Czech nation to dominate the weak Slovak nation. Too few Slovaks felt as we did, that they were Czechoslovaks, and so, gradually and like partners, we agreed to the fact that we were solely Czechs. The Czechoslovak nation separated into two nations, and, along with it, the state broke up, too.

In 1918 the Czechoslovak Republic legitimized its creation by means of historical and natural rights. The natural-rights argument, understandably, concerned the right of a nation to self-determination, whereby the subject of these rights was the Czechoslovak nation. In *Svetova Revoluce [World Revolution]* (Chapter 109), Masaryk comments about this: "At the time, in accordance with the development of the philosophy of law, I tried to bring the historical and natural-rights view into conceptual harmony. My own motive in these conflicts was constant consideration for Slovakia." Now Slovak politicians are trying to create an independent Slovak State using the natural-rights argument.

From the other, historical viewpoint, Czechoslovakia seemed to be a factual renewal of the Czech State that had legally never ceased to exist. If we accept this other viewpoint today, the situation looks like this: The Czech State is losing a part of its territory. The Czech State is returning to its historic borders, and therefore, from the historical aspect, it is time to reassess the meaning of its existence.

Minac Criticizes Former Czech Dissidents

92CH0831A Bratislava LITERARNY TYZDENNIK
in Slovak 13 Jun 92 pp 1-2

[Article by Vladimir Minac: "Freedom, Your Name"]

[Text] Political clouds are gathering over Czech dissent. Czech journalism, led by its most influential REFLEX magazine, has long ago written them off partly as superannuated fogies, partly as former communists. Now it is sending them to a gentle exile, to the same places where they used to operate under the former system, to their weekend cottages and country houses, so that with their last breath they may feel the presence and comfort of freedom for which, as they see it, they once used to fight.

As they see it, as they sincerely feel, and moreover, as they proclaim—but what if everything was different? Jiri Kovar, a vigorous political neophyte from the town of Hodonin, a former and future deputy of the Federal Assembly and the deputy chairman of the ODS [Civic Democratic Party], comments on the dissidents' search for freedom: "Did those individuals mean their opposition against the past system seriously? Was it not, in

some cases, merely their personal fight because they had been hurt when someone expelled them from the CPCZ, from their positions of power, from their lucrative posts, and so on? Could it be that the only thing they were concerned about was to regain the positions of prominence they had lost?"

Good night forever, Mr. Patocka! Good morning to Mr. Klaus and his swashbucklers! Jiri Kovar's one and only credit earned under the past system was his alleged protest against the cutting down of some trees in the center of Hodonin. Klaus's sharp boys are currently earning their credits which tomorrow will become irrefutable. Their savage, hateful attack will bring down not only a couple of trees in Hodonin but the whole Czech and Moravian homeland and its prayed-for freedom. Slovakia's freedom must be protected like the apple of one's eye against those unprincipled political predators whose Christian charity can be satisfied only with power and whose political ethics can be satisfied only with money.

However, let us ignore those political vultures. What was the actual search for freedom like? How was its positive concept reflected in the praxis of the dissidents? Is there any genuine evidence of its legacy?

The best literary product from the period of dissent and about dissent, *Cesky Snar [Czech Book of Dreams]* by Ludvik Vaculik, hardly refers to freedom at all: In it, freedom is projected directly into reality and directly into life. Ludvik Vaculik disdains most of all the absence of freedom; every day and at every moment he opposes the widespread lack of freedom represented by the state and its security agencies as well as the keenly felt absence of freedom within the dissident ghetto. The efforts to escape from that self-imposed vicious circle are sketched with a sharpened ax. From under the above-mentioned protest against every form of oppression, from under the pulsating bloodstream, a positive face of freedom is also revealed—at least to me. As always, it is somewhat unreal, incomprehensible and probably also unreachable.

With the exception of Patocka, all the others were able do was to react to their, in most cases Marxist, past, or else they reacted to the area beyond their confines; they adopted the patterns of thought of postsocialist realism, which is evident particularly from some of Havel's latest plays. Others seemed to be infected with certain phobias that prevailed in the officially published literature, for examples, antibourgeois or anti-nouveau-riché phobias. One of the dissidents, Veroslav Mertl, noted in 1985: "Everything is nice and cozy, and food is plentiful; day-care centers or old people mind the children; money flows in from everywhere, especially if one owns a cottage with a strip of land and if there is some domestic fowl cackling in the yard. Who needs freedom? Naturally, prosperity in itself is nothing reprehensible, but it should not reduce the fullness of life to a mere biological survival and self-indulgence, nor should it lead all the way to the threshold of indifference toward everything."

Officially published literature (its best texts) referred to various thresholds of indifference since the midsixties; or rather, it did not speak of anything else. What else are the continuous outcries of our Slovak lyrical poetry?

Nevertheless... Nevertheless, that will not help us in our search for a space for freedom; it only plunges us into our old controversies. At this time, it is after all one's duty to become nouveau riche and ultrabourgeois; the market is the only god, and consumption is its only prophet.

Where, then, is any evidence of our legacy?

We in this country do not actually think about the freedom of an individual citizen or about his freedom vis-a-vis the state or against the state; as a matter of fact, we are without a state. The federal state is too distant and completely alien; the national state is crippled, tortured by partisan egotism, and constantly terrorized by the center and by its domestic lackeys. It is a pile of manure.

However, history does not proceed in such an automatic manner; most powers appropriated by a sovereign state are antagonistic to the citizen's freedom. For instance, the state is the biggest holder of information; we all have records stored on diskettes. As we have learned during recent lustrations, in addition to his "normal" life, every citizen from cradle not only to grave but beyond it has a secret life in the computer. Some 25 years ago a local Dzhugashvili showed me my confiscated manuscripts and various barroom statements; they comprised about 500 pages. How many pages in secret archives are now accompanying me as my alter ego? This concurrent life, that is the story of our lives of which we know almost nothing but which is enough to cause schizophrenia; this ever-present feeling that we exist both here and there and that we can be manipulated by computers can pave our road straight to an insane asylum.

A citizen should be very selective about the persons who will get his mandate because that is the power that controls him. He should be aware that once they have tasted power, the familiar Slovak faces are transformed into equally familiar Slovak snouts that poke into the journalists, that regard any criticism as personal insults, and that haul writers to court, as in the case of ZMENA and PRACA and as can tomorrow happen to anyone. Power in Slovakia was always glad to mate with stupidity: Sovereignty in itself cannot put an end to their mating. State sovereignty is as essential as oxygen for breathing. However, even at this point it should be noted that this is not a question of sovereignty per se but of its civic and democratic qualities—of sovereignty of a citizen in a sovereign state.

The evidence of our legacy exists, but it is changeable and sometimes barely discernible. Our legacy tells us that freedom is not a matter of sufficiency or scarcity but of civic culture.

Czech Options in Today's Crisis Weighed

92CH0813B Prague LITERARNI NOVINY in Czech
22 Jul 92 p 1

[Article by Ondrej Vaculik: "Following the Siren's Song?"]

[Text] Although for the last two years the thoughts of most Slovaks about liberation from the supremacy of the Czechs and of Prague were democratically represented by Jan Carnogursky, an individual who is interested in something totally different, is now monopolizing this unfulfilled yearning for national emancipation. Vladimir Meciar needs to create a dam rather than a boundary between us, which, in addition to holding back demonstrations of Pragocentrism, will hold back all Western influences, breezes, and ethereal zephyrs that could somehow negatively affect his concept of a "free" state. Many Slovaks (and possibly Czechs!) still do not even suspect the Slovak prime minister will not show his other face, much worse than the one he shows now, until we have finally been able to end the terribly Czechoslovak political feud with our "no," sometime at the end of December. Once he takes off his mask, even Slovaks in the taverns will get a shock. The Czechs will feel a little sorry for the Slovaks, but they will be glad that they succeeded in amputating the necrotic tissue from their own body so cleanly, and the stump will heal quickly. Understandably. Through this intervention, we will stifle the terrible hissing of the members of all those united left-wing blocs in the FS [Federal Assembly]. We know that, apart from the remaining few entrenched Leninists, they won the votes of normal workers who are simply afraid of poverty—or limited prosperity. Thus our "capitalism" must accelerate rapidly in order to satisfy them before the next elections. This will be quicker without the Slovaks. Well, not without the Slovaks, but without the HZDS [Movement for a Democratic Slovakia], which cares even less about a social program than about control over people. But we know all about this, for example, the attitude expressed in "Alleviation from the Decision" (LITERARNI NOVINY, No. 24) clearly stated that a Slovak in our country will have the same opportunities as a Czech, since we are expecting them to emigrate here. We will even retain the name Czechoslovakia for us Czechs, Moravians, and Silesians.

Some Slovaks—Czechoslovaks—also read "Alleviation from the Decision," but they showed no particular joy about it. K. H. [expansion unknown] even stated that it is as helpful as being congratulated on losing one's job. But we will even publish your books here, we objected. "Yes, you will create your own Slovakia here with the genuine Slovaks you like," he said stolidly. "You will do what Meciar wants. You should think more about your share of the blame for the fact that Meciar won."

It is probably true that the "alleviating decision" should have come earlier to help Carnogursky attain sovereignty, or even more. The natural desire of the Slovaks,

which has now concentrated on Meciar, could have been fulfilled by him, instead of the disappointments of all the "roundtable talks" at the palace. He could have been prime minister now, or more—within the framework of the normal development of Central Europe. The present situation, which is aimed at suppressing freedom in Slovakia and is inciting hatred (of Czechs and of Hungarians) is no longer normal. Thus the Slovaks will find themselves cut off, and even if they consider their fall into darkness to be their own affair, they will need help from outside. Therefore, the answer to the question in the referendum in Bohemia-Moravia will really be an expression of our willingness or lack of willingness to help a nation that got into difficulties. We do not want to have anything in common on a permanent basis with the regime they chose (60 percent of Slovaks are satisfied with it). The idea that if the federation is preserved, Meciar will have to suffocate in the mask of democracy and act at least a little like Klaus (within the range of federal television) is as deceptive as the Siren's song. It will probably end with suffering in a "leftist" circle. As we know, our "left wing" is so inexperienced that, if it is a question of power, it will repudiate democracy for an alliance with the devil, who is within reach. Therefore, the question that will be put in the referendum is not for us, we may only maintain a sympathetic silence. The new Slovak power will throw back at us whatever we say.

But when today becomes history, there will be reproaches that the Czechs remained silent and again did nothing while despotism grew stronger in Slovakia and "consolidated society." On what will we base the new Czech-Slovak relations?

Regional Autonomy in Czech Republic Viewed

92CH0832C Prague CESKY DENIK in Czech
28 Jul 92 p 3

[Article by Pavel Safr: "On the Possibilities of Territorial Autonomy in Bohemia—Autonomy Is Not a Bogeyman"]

[Text] The idea of wider territorial autonomy covering the territory of Bohemia has recently been in the domain of the leftist parties, primarily of the HSD-SMS [Movement for Independent Democracy-Society for Moravia and Silesia] and of the Liberal Social Union. The only party of the government coalition that has come up with a program of a confederative arrangement within the Czech Republic is the KDU-CSL [Christian Democratic Union-Czechoslovak People's Party]. For the time being, the program proclamation of the Czech Government leaves this as an open question, even though it promises an early solution. Our recent experiences in Slovakia, which are, moreover, perceived with an absolutely disproportionate feeling of bitterness and betrayal, quite understandably result in a distaste for the partition of what turns out to be a small territory anyway into some kind of autonomous segments. Unitaristic tendencies loom as the introduction of order in an area, which continues to be threatened by the further escalation of local demands for its own jurisdictions. There is a

widespread view that a confederate arrangement facilitates much greater disintegration tendencies. We totally lose sight of the fact that confederate arrangements function particularly in those countries which are most prosperous. Territorial autonomy contributes to overall prosperity. It is never possible to separate the economic level of a country from the level of its political and administrative structure.

Policy as a Conspiracy

The communist regime left behind an absolutely distorted political consciousness. People feel that policies are already somehow centrally planned and directed, independent of their desires and, frequently, running counter to their ideas. It is as though there was some kind of dirty conspiracy of some kind of elite group in a secretive center.

By its content, democracy tends to negate this impression, because it integrates the largest number of people into various levels of decisionmaking on the basis of individual, group, and naturally, also local interests. It is precisely the concept of political interest which found itself on the index in past years and its rehabilitation was by far not implemented by 17 November 1989. The tradition of a coordinating center resulted in a picture of an elite conspiracy at a relatively early time.

Natural Units

Just like the system of parties during the elections gradually becomes adjusted to the image required by natural structures and the needs of society, so does the system of territorial autonomy demand a reasonable adaptation to the given structure of the territory in question. This adaptation is given not only as a result of some clearly visible signs such as, for example, border mountains or a set of factories of a certain type. A substantial role is played here by the greater or lesser awareness of the congruity among people in any kind of area. This awareness is at a much higher level in our society than it would appear to be. And the gradual cultural unification that threatens to occur if these facts are disregarded leads to an environment of boredom and to the devastation of less-preferred locations as a result of the departure of all people who are even a little more capable. In the final analysis, such a picture of the country was striven for by the previous regime, and to a certain extent, successfully.

However, the system of territorial autonomy cannot pass through a natural competition like that which elections mean to the party system. It is a task for free legislators who should take into account the recommendations of community representatives.

It is difficult to call into question the entitlement of Moravia to an appropriate degree of autonomy. However, there is the question here whether Moravia should be delimited on the basis of its historical boundaries. For example, northern Moravia does not overly acknowledge

the city of Brno, and Silesia is a separate problem in itself because, in our territory, it only involves several okreses. However, the city of Prague forms an independent unit, which is substantially different from its surrounding area. Moreover, Prague is the only natural unit which already has its autonomy, on the basis of the law on the Czech National Council. This exclusivity of Prague is not fortuitous.

Appropriate Jurisdictions

A further argument against expanding territorial autonomy is the reference to the financial costs of local assemblies and governments. The idea of local assemblies and governments is highly unpopular in our country. Even here reasonableness is necessary. On the one hand, it is not appropriate for such organs to be constituted as extensive offices and paid representatives, maintained on the basis of the state budget. This is not necessarily a question of assemblies and governments; we could be satisfied with appointing representative bodies and committees, as was the case during the first republic. What is essential is the extent of jurisdictions and the creation of independent budgets based on certain taxes and fees. These revenues should, at the same time, cover the costs of local bureaucracies, which thanks to close control, could not grow disproportionately, as is the case with central bureaucracies, and would also be subject to more express pressure to be inexpensive and efficient.

Experiences from neighboring countries show that it is useful to entrust territorial autonomies with responsibilities for regional local security, with regulating the structure of the economy and social welfare, with culture and education. Under our conditions, however, a certain amount of supervision by central organs in all of these areas would be suitable, and would best be accomplished by giving the parliament the opportunity to rescind territorial decrees.

The final question involves the expression of territorial autonomy within the structure of the central parliament. If we look at our western neighbor, we find that the Federal Assembly functions as a sovereign monocameral parliament, which has a unique supremacy over the Federal Council in terms of decisionmaking. It is impossible to speak of the FRG having such a specific sovereignty on the part of its republics as was introduced by the Communists into our Constitution in 1968 so that they could better pretend that our people were enjoying freedom. The Federal Council, in which the individual states are represented on the basis of parity, deals with the most important problems of the Federation. This is all the more reason why the principal body of the future parliament in our country, the delegate assembly, should not be constituted in the image of territorial units. In the composition of the senate, whose role, according to current ideas, is to be limited only to specific functions—participation in constitutional laws and election of a president—taking territorial autonomy into account might be useful.

The crisis of Czechoslovakia was not the consequence of an excessively high degree of autonomy in Slovakia; only an imperialist can think so, even though his imperialism has somewhat comical dimensions under our conditions. A liberal must concede that every group of people has a right to its ideals regarding its own realization, provided it does not threaten the rights of other people. Moreover, the right to a national identity and to corresponding realization is a legitimate civil right.

Czechoslovakia is crumbling on the basis of the absolute difference between its two parts. Within the Czech Republic—and that includes Moravia—there are strong integrating tendencies and it is therefore not necessary to fear territorial autonomy. It is not a bogeyman.

Difficult Position of Czech Right Discussed

*92CH0838A Prague TELEGRAF in Czech
30 Jul 92 p 3*

[Article by Jan Novak: "Blackmail Through Dependence?"]

[Text] If, preceding the elections, the Slovak nationalists succeeded in slowing down Czechoslovakia's transformation into a normal civilized country (and, considering the past of their numerous leading representatives, it is easy to surmise that they are much more interested in doing this than in the Slovak nation), they have now practically succeeded in stopping the process altogether. The state agencies are overwhelmed by the separation. The dilemma of the division even threatens the crucial coupon privatization plan, the promised amendments to many laws (including important economic ones, such as the businessmen's law) are not being made.... The federation is not functioning; it is practically dead, and, as is well known, corpses quickly begin to decompose. Therefore, logically, individuals who are interested in the smooth functioning of the state and a quick process of transformation are striving to put an end to this situation as quickly as possible, not through the act of embalming or putting things on ice, but through the creation of new, totally functional units.

Though, to begin with, the Slovak representatives seemed to be outmaneuvered by the uncompromising attitude of the Czech right wing on the problem of the division of the state, it quickly got its bearings and realized that the opposition has an even greater (and more rational) interest in the separation than the previous Czech group had had in preserving the federation. So why should they not continue to proceed as they had in the past and merely change the item with which they politically bargain? Thus those who formerly fought against the Czech yoke have now turned into amiable brothers, who touchingly remind us of common interests in a common region....

Despite their external childish patriotism, the Slovaks are intelligent enough to know that the situation, which was conciliatory toward the federation at all costs, not only allowed it to financially hide an inefficient economy

and socialistic elements of reallocation but also political adventurism such as the law on language or Gabcikov. All of this would end if there were total separation. It seems that they have interpreted this in their own way, and just as they tried to set gradually sharper conditions in exchange for preserving the federation (or, rather, for a more hidden form of its disintegration) until recently, they will now attempt to extract as much as they can from the Czechs' interest in a quick end to the present paralyzing situation.

Thus the right wing is faced with a difficult task. On the one hand, it will have to confront accusations by the left wing that it destroyed Masaryk's legacy (the amusing point is that the Communists have become ardent "Masarykites" and, according to some reports, they have been given orders by their party to "toe the Masaryk line"). On the part of Slovak patriots, on the other hand, it will be pushed toward a division that would admittedly "make" the Slovak State "more visible," but would in fact continue to attempt to get Czech sponsorship for the adventures of its nationalistic, communist leadership. Recent "calming" words from military representatives, stating that our armies would face any potential enemies together (and the Slovak representatives are a class unto themselves in Europe in conjuring up enemies), warn us that just as there is no sense in a sham federation, there would be no sense in a division that is a division only in its external features. Our little brother will not grow up until he realizes that there is not a soul who supports him anymore.

Milan Cic Speaks on Slovak Constitution

92CH0760B Bratislava NARODNA OBRODA in Slovak
24 Jun 92 pp 1, 13

[Interview with Milan Cic, Movement for a Democratic Slovakia, by Alena Melicharkova; place and date not given: "Instead of Emotions, Reason and Constitutionality—Seeking New Quality of Relations and Powers of Both Republics in a New Union—A Priori Standpoints Do Not Lead to Consensus in Talks"]

[Text] *We have heard a lot of talk on the topic of sovereignty but most of it with great emotion. Since the new political team at the head of the Republic has decided to resolve this problem as soon as possible, at one of the first sessions of the SNR [Slovak National Council], it is more than urgent to discuss this with the experts, in a pragmatic fashion and from several perspectives. Today we turn to Prof. Milan Cic of the HZDS [Movement for a Democratic Slovakia].*

[Melicharkova] The question of adopting a declaration on SR [Slovak Republic] sovereignty was raised in the Slovak parliament several times. Always or mostly its adoption foundered on some parties' regarding this act as unconstitutional. How will this be resolved in case of the expected proposal on sovereignty by HZDS deputies?

[Cic] Let me note at least in one sentence that it did not involve anything unconstitutional. In fact, the current constitutional law on Czech-Slovak federation in some of its articles defines clearly that there are two national states, two republics. The declaration would actually be nothing but a ceremonial proclamation of a fact anchored in the Constitution, and moreover has its foundation in the natural right of each nation to self-determination. Within this framework not even adoption of a SR constitution is an unconstitutional act because it rests on Article 142, Section 2 of the constitutional law as part of the Constitution presently in force. My opinion is that the future SNR will approach this very purposefully.

[Melicharkova] In connection with the SR assuming sovereignty some people fear legal chaos. That is, they do not know clearly which laws will henceforth be in effect—SR laws or also CSFR laws? It is not by coincidence that the concept of sovereignty combines with the notion that it involves sovereignty of the republic's laws over those of the federation.

[Cic] Sovereignty as we understand it does not mean immediately that the continuity of the Czechoslovak legal system is thereby interrupted. It will be on the basis of constitutionality and laws will remain in effect as they are now, no barrier will be erected. A subsequent issue is the adoption of a SR constitution; were it to address the issue of when it becomes effective and the relationship between the legal system of the federation and that of the republic, the solution would have to be anchored in the concluding provisions of this new constitution. So sovereignty by itself does not affect this issue. One also has to add that it is possible to adopt constitutions concurrently, in both the SR and CR. After all, negotiations will go on at the same time for we are not out to break off cooperation and joint action between the SR and CR as it is interpreted, sorry to say, especially in the CR. What is involved is a new quality in the relations between the republics, a whole array of matters of common interest including a common president and vice president at the head of the union we are proposing. This example also suggests clearly that it will be possible to sort out which laws will be within the jurisdiction of the union and which in the jurisdiction of the republics. Our proposal for an accord presupposes that there will be a legislative assembly. This would be resolved by having the Czech National Council and the Slovak National Council deciding (sitting) on certain matters jointly, for instance in regard to the fundamental rights and liberties, the Commercial Code, check-issuing laws and the like. Thus they would constitute a legislative assembly of this common union.

[Melicharkova] We learned from certain sources that intensive work is under way on drafting a SR constitution. In recent days a group of experts held a meeting in Trencianske Teplice....

[Cic] I cannot assert that we are working intensively because there is a whole array of other topical and acute

issues. We participate also in addressing other matters, constituting the federal and national agencies and governments. Insofar as the SR constitution is concerned, the proposal by HZDS deputies is a starting point for further deliberations, formulations and tightening up of the draft so that it would really correspond to the intents of the movements and parties seeking a democratic, pluralistic system, a prosperous economy, constitutional guarantees, safeguards of fundamental human right and liberties. We want to create a modern, democratic constitution corresponding to the European and world standard of democratic countries.

[Melicharkova] In this connection a question arises which was recently brought up by a representative of the MKDH-ES coalition [Hungarian Christian Democratic Movement-Coexistence Movement]. It is how the constitution will respond to certain demands of the national minorities. I mean their striving for a cultural autonomy which in some cases extends even to demands for a territorial autonomy....

[Cic] As a former chairman of the post-November government I had the minority question documented in great detail. One of the then government's meetings was held in Komarno, in public. There we stated our position, and our movement too continues to adhere to it. We want a policy which should be reflected also in the constitution, according to which every SR citizen would enjoy equal rights on this territory. Without regard to belonging to any minority, without regard to religious faith, this or that race, sex, or social origin. Minorities also have rights stemming from their belonging to a minority nationality, the right to advance their culture, maintain contacts abroad connected with their self-identification. It disturbs me when someone claims that a common state alone provides a guarantee of minority rights. It reflects a misunderstanding of the political tenets of a democratic state affirming humanitarian principles, respect for civic equality. But to express myself clearly on the voices invoking autonomy, it is my view that it does not merit consideration because what is involved is not a distinct enclave with a monolithic population of a certain nationality. If we look at the region of southern Slovakia with many Slovaks too living there, what situation would they get themselves into? If it concerns autonomy in education and culture, they have it, don't they?

[Melicharkova] There are stories about some kind of an accord between the national councils, even though HZDS until quite recently pressed for an interstate treaty. How are we to understand this?

[Cic] The political agreement which emerged from the recent talks between ODS [Civic Democratic Party] and HZDS set the date of 30 September 1992 by which time agreement should be reached on the state power arrangement between our republics. But this does not mean that it already will be a legal act resolving the issues of state powers that would be subject to approval by the highest legislative bodies. Assuming so would amount to an

oversimplified approach to such a grave matter. But I must say that the ODS presents this question as really urgent and insists on accelerating debate on it. In the ODS they seem somewhat impatient.

[Melicharkova] HZDS favors confederation. But the accord speaks of seeking a form of shared life that would correspond to the traditions as well as current and anticipated needs. Can one draw from this the conclusion that ultimately we may see the emergence of a confederation?

[Cic] In fact I even anticipate that this will be the course of developments. But neither do I exclude other, until now not precisely defined forms of joint existence of the two sovereign republics.

What can be said in conclusion?

However our citizens may decide in a referendum, I am convinced that the solution will be culturally respectable, constitutional, and nonviolent. I emphasize constitutionality the more because of voices, including on television, alluding to other, new forms. Presumably all that is needed is some sort of an agreement. This is something I personally do not countenance or support. We want to, and ultimately must, live side by side. It would be unwise to have an acrimonious neighborhood. Shared life, cooperation, joint action, friendship—these are the principles. The form in which these relations are arranged is secondary but not immaterial. It must however be subordinated to the principle. I am surprised by the kind of unqualified standpoint as expressed by the highest representatives of the Czech Republic as also our president, that to them a federation alone is acceptable. This is nothing else than sacrificing principle just for form. I also see progress in the talks when matters, relating and problems are increasingly more and boldly called by their proper, their true name. I believe that the discussion of them will be reasonable, without superciliousness of the personal or national kind. Only in this way is it possible to arrive at a successful conclusion.

Meciar's, HZDS's Alleged Nationalism Redefined 92CH0814A Bratislava KULTURNY ZIVOT in Slovak 9 Jul 92 p 4

[Article by Miroslav Kusy: "Meciar, HZDS, and Slovak Nationalism"]

[Text] Persistently appearing in both the domestic and the foreign media are three false ideas which must be constantly corrected: Meciar is a Slovak nationalist; HZDS [Movement for a Democratic Slovakia] is a nationalistic movement and; Slovaks are a nationalistic nation.

Meciar is not the principal Slovak nationalist, nor has he ever been. He is a very pragmatic politician, and as such he is not guided by any priority of established principles or program concepts, but his orientation is exclusively toward success. A principled politician tells his voters: I

will push the federation (independent Slovak state); let those who agree with me vote for me. But a populist says: I will push the kind of state setup that the majority of the nation will favor in the referendum. It does not matter to me which setup it will be, but I want to be at the head of the movement that will be pushing it through. That is Meciar's case before the elections and in the election campaign.

A nationalist is concerned with defending and increasing the rights of the nation, working on behalf of its constitutional position, and achieving its sovereignty. Meciar, as the Slovak prime minister, fought ruthlessly with such nationalists. We just need to remember his harsh attacks on Markus, the chairman of Matica Slovenska, and on the representatives of the SNS [Slovak National Party]. They threatened his position.

A pragmatic politician is concerned with power; above all, with his own power. That was the point of Meciar's fight for jurisdictions. These were to be jurisdictions concentrated in his own hands. That is the point of Meciar's present fight with the federal institutions. He is willing to accept them, as long as they are subordinate to him, and as long as they serve him. Hence, the idea of primary sovereignty of the national republics and the derived sovereignty of the federation; that is the way he sees it from his position as the Slovak prime minister. He will fight against the federal institutions as long as they place restrictions on him, as long as their position is that of bodies superior to him. Nowhere here is the nation a consideration, this is a pragmatic power struggle of a politician who measures everything by his own personal position on the ladder of power. That is not a nationalistic stance, that is the stance of a Machiavellian ruler.

Meciar's driving motive is not national pride or a feeling of injustice done to his nation, but above all a sense of injustice done to his own person, the need for personal compensation for the "wrongs" he experienced. He expressed it quite clearly in his first public speech following the election victory: "I am willing to negotiate with Klaus because he did not say anything bad about me during last year or in the campaign. But Havel is unacceptable to me, because he hurt my feelings."

As prime minister, Meciar was a very radical federalist; later, in order to define himself in opposition to the ruling coalition, he became a fervent confederalist. When he failed to gain support of the opposition parties for this stance, he tried to unite the nationalist parties and movements under his leadership. But even there he was not successful, so he went back to the confederation idea. When he was trying to enlist Dubcek for his slate of candidates, he said he did not rule out going back to a profederation position. Today, after the election victory in Slovakia, he is trying to wrest the sphere of power from the Czech victor, Klaus.

That has nothing to do with some nationalism based on principles. It is only an opportune nationalism, which he uses when it suits him, and which he discards when he

does not need it. Of course, even this opportune nationalism can have tragic consequences for the nation, but in this nationalism the nation is not a consideration.

The Movement for Democratic Slovakia (HZDS) is not a nationalistic movement. The HZDS split off from the broad-spectrum civic movement, that is, the original Public Against Violence (VPN) only toward the end of its process of diversification and splintering. First, the Christian Democratic Movement (KDH) left, taking with it part of its Catholic nationalists, who later formed the Slovak Christian Democratic Movement (SKDH). The next to split off were the Slovak nationalists themselves, dissatisfied with the national pillar of the program Opportunity for Slovakia. They formed the Slovak National Party (SNS), with a decidedly separatist program. Then gradually other small nationalistic parties came into being.

The nationalist centrifugal tendencies in the original civic movement were thus basically satisfied. When HZDS split off from VPN, the nationalists were gone from the movement and nationalist motivations were not the uppermost reasons for parting. In the announced program of the newly created movement, the possibility of promoting an independent Slovak State is not mentioned at all. On the contrary, HZDS proclaims itself to be the only "true" bearer of the original civic program of VPN, Opportunity for Slovakia, which has nothing in common with nationalism. Even after the election victory of 1992, Meciar stated that it was the Civic Democratic Union (ODU) that betrayed this program, whereas HZDS remained true to it.

The HZDS membership base therefore does not consist of nationalists. In it there are the radical components of the original VPN movement (Trnava Initiative), dissatisfied with the course of the economic reform, anticommunists dissatisfied with the mild approach to dealing with the communist past and with the surviving communist nomenclatura cadres. It is precisely in these areas that Meciar was promising his movement a much more radical approach: We just need to remember his harsh attacks on the communist leader in the Slovak Democratic Left (SDL) and on the former collaborators with State Security.

Certainly, even in HZDS there are some members of its leadership who talk like nationalists (A.M. Huska, M. Knazko), who became nationalists only ex post, after they left VPN and after they were recalled from their government positions. It is possible that today some gradually formed nationalist wing of this movement stands behind them. But in the beginning it was not there, and thus far it has not surfaced as a distinctive wing. Even if it does exist, to describe the entire movement as nationalistic is on the whole unsubstantiated; it could be only a fraction of it.

Therefore, we must assume that a considerable part of the original HZDS membership base watches the nationalistic tendencies in the movement with mistrust and

that it opposes them. This will undoubtedly be one of the deciding factors which, as the nationalist tendencies become more evident and as they intensify, could lead to the disintegration or splintering of the HZDS.

Slovaks are not a nation possessed by nationalistic delusions. Nationalistic parties did not altogether exceed 20 percent of the Slovak voter base, even at the height of their activity on the language law. The present results of the elections make it possible to do a precise count of how many Slovak votes the nationalistic parties and groupings gained in Slovakia. This total does not exceed even 15 percent of the votes cast. That means that at most 15 percent of the Slovak nation belong to the Slovak nationalists, therefore also to the professed proponents of the fight for an independent Slovak state.

But still that is not that much. Even during their boom days they had to bus people from all over Slovakia to mass meetings in Bratislava and other Slovak towns. It seems that a substantial part of the Slovak nation has thus far remained indifferent to their electoral rhetoric, and did not allow itself to be enlisted in any nationwide activities or demonstrations. So far we have not experienced the militant "people's" nationalism of the type we see in the Baltic republics or in the former Yugoslavia. The slogan "Slovaks, on your feet" has thus far not fallen on fertile ground. On the contrary, we can observe a decline in the incidence of nationalistic activities, even in the voter base of the nationalists. Matica Slovenska discredited itself considerably in this respect, its public acceptance has gradually declined, and the activities connected with the repeated tries for the Declaration of Slovak Sovereignty kept losing its mass following (the last time only an insignificant handful of people with banners stood before the Slovak National Council). The 1992 elections were a debacle for the nationalists. The Slovak National Party (SNS) lost a considerable part of its voters; it received only a little more than 7 percent of the votes. Other nationalistic parties did not show any gain, even the KDH losses did not work in favor of SKDH or other nationalistic groupings, but rather in favor of HZDS.

In spite of all the swings, the overwhelming majority of the Slovak population still favors the idea of the common state (70 percent), which is the reason why the nationalists reject a simple referendum on this question and are thinking up complicated maneuvers by which they could reverse this stance of the Slovaks in favor of independence. That is why they want to present them with the fait accompli of independence and only after that let them vote about it in a referendum.

This does not mean that the Slovak nation as a whole cannot be seized by a paroxysm of nationalism. Nationalism is an infectious disease and must be treated as such. If we create favorable conditions for it, we will allow it to spread to the maximum degree. Only effective antiepidemic measures will stop it.

If it is so, then the one-third of Slovaks that voted for HZDS did not vote for it as a nationalistic movement, and these votes cannot be counted together with the votes for the nationalistic parties. Some of them voted for Meciar, who "thinks and acts on their behalf," as the authoritarian leader, some of them voted for the program derived from the Civic Opportunity for Slovakia, and some of them expressed in this way their dissatisfaction with the ruling coalition and the results of their activities. But it is a dissatisfaction different from the dissatisfaction of the communists or the nationalists. For these components of the HZDS membership and voter base, it has signalled possible cooperation with communists or nationalists in the new Slovak Government coalition would obviously be a bitter disappointment.

Opposition to HZDS in Slovak Parliament

92CH0837C Bratislava NARODNA OBRODA in Slovak 28 Jul 92 p 3

[Article by Rastislav Toth: "Opposition in the Slovak National Council—The Division of Forces in the Parliament Is Not Stabilized"]

[Text] The majority of our citizens will immediately add: "The Hungarian autonomy seekers and the KDH [Christian Democratic Movement]." Some commentators are trying to prove that a government without an opposition in the parliament is not democratic. They are either too impatient or they cannot see well.

First of all, it is alleged that the SNS [Slovak National Party] as well as the SDL [Slovak Democratic Left] have serious reservations against the political line of the HZDS. The Prokes faction in the state system is dissatisfied with the Declaration of Sovereignty in a Common State. The Weiss faction harbors higher aspirations than to be nothing more than silent partners in the social as well as economic areas. The SDL economists obviously have different plans for Slovakia, which suggests that conflicts in the parliament will follow as soon as the euphoria over such a glorious historical event as the adoption of the aforementioned declaration dies down.

According to political arithmetic, the HZDS must add two more votes to be certain of a majority. But how long can this arithmetic last?

Well, as long as Meciar succeeds in getting the HZDS deputies to vote as a bloc. It may be presumed that a broad-spectrum movement, which the HZDS considers itself to represent, will not vote unanimously on every issue on the agenda. What then? It is obvious that parties in the background are waiting for such an opportunity. An advantageous contact could improve the position not only of every party in the parliament, but also of parties that did not get in the Slovak National Council because of their poor showing in the elections.

However, the shifts in the parliamentary spectrum may take different turns. Although during the first voting the

KDH demonstrated party discipline, no one can guarantee at this moment that there will be no personal changes in the KDH; consequently, the two Christian parties may merge and even admit a couple of deputies from other parties and presto, that would result in a party, which from the political point of view, must be taken quite seriously.

Relations described by terms such as coalition and opposition in the Slovak National Council at this time are not based on principles of different or similar specifics of its programs but primarily according to the nonacceptability or acceptability of their leaders. That is demonstrated particularly by the political line of the KDH and the DS [Democratic Party]. Because of their vanity, they display strange attitudes, which as a rule, are contrary to Meciar's.

The proautonomy Hungarian parties are still acting as onlookers. They understand that a high-handed rejection of the Declaration of Sovereignty would not be logical, and that has given them more space for their maneuvering. If they define their positions in an acceptable manner, they can expect that more deputies will support them—which is one variant of possible directions the opposition may follow.

Therefore, this should not concern absolute standpoints on the part of the opposition but rather its attitudes toward specific political problems.

Carnogursky Comments on Slovak Constitution
*92CH0837E Bratislava NARODNA OBRODA in Slovak
29 Jul 92 p 3*

[Interview with Jan Carnogursky, former Slovak prime minister, by Alena Melicharkova; place and date not given: "Constructive Attitudes of the Opposition?"]

[Text] Skepticism and understanding in the attitude of the KDH [Christian Democratic Movement]: "We shall support any agreement because every agreement will improve relations between the Czech Republic and the Slovak Republic."

The Slovak Government is currently in the process of adopting the draft of the constitution of the Slovak Republic and therefore, nothing will prevent the Slovak National Council from reviewing the draft and submitting it for consideration to the deputies of the Slovak National Council. The draft is the work of experts on constitutional law from the ranks of the HZDS [Movement for a Democratic Slovakia], the SDL [Slovak Democratic Left], and the SNS [Slovak National Party]. How will the members of the KDH react to this draft? Our questions were answered by the KDH Chairman Jan Carnogursky.

[Carnogursky] As yet, We have not received the draft of the constitution of the Slovak Republic. Nevertheless, I may say that I will assess it from two points of view: by its adherence to principles of democracy and at the same

time, by operational efficiency of Slovakia's state power. It is possible that we may have comments about the draft, but I think that they will be of the usual kind, much like what other parties will say. Up to this time, our other point of view was that the constitution of the Slovak Republic must not contravene the Constitution currently in force. After the recent agreement concluded by the HZDS and the ODS [Civic Democratic Party], this position probably cannot be maintained because both parties agreed to partition the federation.

[Melicharkova] Do you think that the Federal Assembly will agree with the intention of those two parties to initiate in the Federal Assembly a motion to terminate the federation?

[Carnogursky] It is difficult to say anything about that. We have not discussed it in the KDH. The problem is that both parties created an actual situation that has already abolished the federation. The agreement between the HZDS and the ODS states that if the Federal Assembly fails to pass the pertinent law, both parties, the HZDS and the ODS, would continue to strive for a civilized and orderly dissolution of the federation. In other words, the breakup of the federation is already an accomplished fact and the only question is whether it will be codified in some way. That is a problem of choosing the lesser of two evils.

[Melicharkova] Is it therefore your assumption that the constitution of the Slovak Republic will no longer deal with the issue of maintaining certain federal agencies?

[Carnogursky] Probably not.

[Melicharkova] Will the KDH object to that?

[Carnogursky] The KDH will not be able to influence the existing situation.

[Melicharkova] The draft of the constitution of the Slovak Republic, just as the draft your movement has submitted some time ago, should contain a statute about the establishment of the office of the president of the Slovak Republic. How do you view the election of the president which may take place relatively soon?

[Carnogursky] I agree with the institution of Slovak presidency. It in itself does not contravene the Constitution still in force. Thus far we have not discussed in the KDH the presidential election.

[Melicharkova] What do you think the constitution of the Slovak Republic should contain at any rate?

[Carnogursky] A provision that the inclusion of Slovakia, whether as an independent state or as part of a common state with the Czech Republic, into any integrated group be subject to the constitutional law of the Slovak National Council.

[Melicharkova] After the Slovak constitution is adopted, next on the agenda will be an agreement between the

Czech Republic and the Slovak Republic. What is your current position on this issue, which was originally your own idea?

[Carnogursky] We still are for an agreement between the Czech Republic and the Slovak Republic. Naturally, much depends on its contents. To tell you the truth, I doubt that the Czech Republic and the Slovak Republic will soon come to anything but incomplete agreements.

[Melicharkova] And if the agreement concerns a currency and customs union?

[Carnogursky] We shall back such an agreement.

[Melicharkova] Even if it is not an agreement about a common state?

[Carnogursky] Naturally, we will support almost any agreement, even if it is not about a common state, because any agreement will improve relations between the Czech Republic and the Slovak Republic.

HZDS-SDL Alliance Perceived as Short-Lived

92CH0834B Prague TELEGRAF in Czech
29 Jul 92 p 3

[Article by Stefan Pancir: "Coalition of Ideas"]

[Text] Breezing through the Slovak press about two weeks ago was an appeal by several out-of-parliament groups for all profederal forces to unite. Nothing strange about that, perhaps this is why they have not made it into parliament, lacking a sense of realism. But what is much harder to understand is that among those to whom the appeal was issued was the SDL [Party of the Democratic Left].

Far more pragmatism was displayed prior to the elections by Vladimir Meciar. He stated repeatedly that he will not form a government coalition with SDL. He could afford to do so, even without knowing that he would garner an even half, just short of one, of the Slovak National Council seats. He knew that Weiss would support him in any event and would follow him into a confederation as well as into independence, regardless of what he has written in the program. Three days after the elections in the Tugendhat villa Meciar was already presenting Klaus with his ultimatum on confederation with two subjects under international law, and did so with SDL blessing.

Now Peter Weiss declares in PRAVDA that they (the SDL) neither desired nor initiated a division of CSFR. Pavol Kanis is invoking a referendum, Jozef Stank wants the Federal Government to draft an "alternative form of Czechoslovak statehood." All this is pharisaic. For more than a year SDL was an inseparable component of the "Slovak bloc" initiated by Meciar, which completely paralyzed the Slovak part of the House of Nations and blocked all constitutional amendments capable of staving off the present state of affairs. Misleading by their program and rhetoric of a "free federation," the

"Weiss crowd" supported the Slovak Government's program statement implicitly declaring in favor of a confederative arrangement, the declaration of sovereignty, and partook in the nonelection of Vaclav Havel.

The belated fighters for a common state are now apt to argue that the Slovak voters did not know that with Meciar they voted also for the country's breakup. Weiss and Co. cannot be granted even this mitigating circumstance. I am not a friend of absolute judgments expressed in superlatives, but when former minister Helena Wolekova rates the SDL conduct as "the biggest political hypocrisy of our time" it is hard to argue with her. The SDL relationship with HZDS [Movement for a Democratic Slovakia] can be termed only imprecisely a silent coalition. But these generally serve a purpose, the partners seeking to assure the functioning of minority governments and to avoid calling premature elections. This is not the case in Slovakia; HZDS would be amply served just by open support from the SNS [Slovak National Party]. What is between HZDS and SDL is something much deeper. It is a coalition of ideas. These parties are spiritually akin in their opposition to the existing system. They view a return to before November 1989 as impossible but neither do they favor an open society and a market system without a qualifying adjective. They are united by searching for a third road and by resentments. The HZDS gerontocracy harks back to 1968, the third and fourth wave of the Slovak Communist Party's cadre reserves, now at the head of SDL, dreams of various still unrealized socialist experiments.

The HZDS-SDL alliance has a short warranty time. It expires on the day Slovakia becomes independent. The recent forceful presentations by Pavol Kanis are already aimed at this point. A sense of responsibility does not usually count for much with Communists, hence also the efforts to sweep the traces already ahead of time. And when someday Kanis will again talk about the irresponsibility of HZDS and ODS [Civic Democratic Party], he ought to be asked how he voted on the program statement and how on the declaration of sovereignty.

New Commercial Code's Effect on Capitalization

92CH0843C Prague HOSPODARSKE NOVINY
in Czech 29 Jul 92 p 8

[Article by Docent Josef Bejcek of the College of Law at Moravian University in Brno: "The Commercial Code in Practice—The Structure of Basic Capitalization"]

[Text] Commercial corporations, which came into being prior to the effective date of the Commercial Code (that is to say, prior to 1 January 1992), must in some cases adapt to its provisions. We have already dealt with the formation of reserve funds; today, we devote our attention to another aspect.

Some corporations are approaching changes in the structure of basic capitalization on the basis of Section 59, Paragraph 2 of the Commercial Code, which addresses the method of valuation pertaining to nonmonetary

deposits in cases where such nonmonetary deposits constitute a part of basic capitalization. This arrangement is sometimes interpreted to mean that a portion of the basic capital may be created by nonmonetary deposits and that a certain portion of the basic capitalization must be in the form of money.

That explanation is unreliable and does not enjoy adequate support in the law. The basic capitalization of a corporation can, according to Section 58, Paragraph 1 of the Commercial Code, also be a monetary expression of exclusively nonmonetary deposits. The interpretation of Section 59, Paragraph 2 is then logically consistent in that the method by which nonmonetary deposits are evaluated must be stipulated, even if they only constitute a portion of the basic capitalization. That means that this is more likely if nonmonetary deposits account for the total basic capitalization.

In conjunction with the changes in partnership contracts and in the appropriate statutes, it is possible to strengthen the standing of partners who contributed material deposits to the basic capitalization of the corporation having a permanent or increasing value and who have thus contributed more expressly to the commercial capitalization involved than those partners who have contributed monetary deposits, whose value can be substantially reduced by inflation. However, if the basic capitalization of a corporation is at 1 million korunas [Kcs] and is formed by 10 separate deposits (nine of which are at Kcs100,000 and one of which is a deposit of real estate valued at Kcs100,000), then in one year, given a 50-percent inflation, the basic capitalization will not change with respect to form, but every deposited koruna will have half the value it did a year ago and the real estate would have a value of Kcs200,000. The share in the basic capitalization and the share in the profits (1:10) would not change formally, even if the basic capitalization were made up of nine deposits of Kcs100,000 and one deposit of real estate valued at an actual price of Kcs200,000. Consequently, it would be conceivable that the basic capitalization would be recomputed in terms of 11 portions and that the person who deposited real property could be entitled to a double share in the profits, in comparison to each of the remaining nine partners.

A depositor of any kind of deposit naturally has no privileged relationship with that deposit, because the deposit becomes the property of the corporation. However, the basic capitalization of the corporation, be it created or cocreated by material deposits that are resistant to inflation, is actually increased in value without the corporation having to achieve a profit. This also results in improving the liability position of the corporation because a corporation is liable for its obligations with all of its commercial wealth. Inflation can lead to opening the scissors between the accounting size of basic capitalization (registered in the Commercial Register) and the actual real market value of things, which combine to make up the basic capitalization. Although the corporation is liable, to the exterior, with all of its

commercial wealth, the deposits of individual partners that make up the basic capitalization and the concomitant claims they have on commercial shares are conserved in accordance with price relationships, which exist at the moment the corporation is established. Real estate participates at an ever increasing ratio in any eventual corporate liability toward third parties. Shares in profits are in fact valorized in an inflationary environment (the corporation is achieving higher profits on the basis of inflation), without the contributions of the individual partners to the basic capitalization of the corporation becoming valorized.

A partner who deposits a material chattel, which has an increasing or lasting value into the basic capitalization of the corporation, has given up the opportunity to enjoy individual benefit based on the valorization of this chattel in favor of the corporation, whereas the other partners invested money which has a declining value. This disparity can be compensated for at the time of the annual accounting balance by valorizing the value of the material chattel and indexing it to inflation and in such a newly created ratio between material items and monetary deposits it is possible to establish shares in any profit. On the other hand, if monetary deposits are valorized despite possible inflationary developments to a level that is higher than the deposited real estate, or if the decline in the value of certain nonmonetary deposits is more rapid than the growth of inflation, it is possible to accomplish valorization to the benefit of the depositors of monetary deposits.

Problems in Slovak Republic Budgeting System

92CH0821C Prague HOSPODARSKE NOVINY
in Slovak 9 Jul 92 pp 1, 3

[Article by Eduard Zitnansky: "The State Has a Hole in Its Pocket: Tense Situation in the Budget Management of the Slovak Republic"]

[Text] The budget of the SR [Slovak Republic] was approved as balanced for this year. On the revenue side as well as on the expenditures side is the identical sum of 117.5 billion Czechoslovak korunas [Kcs]. But the balance in the budget evaporated. The discussions about the budget are looking sometimes perhaps even too obviously for a political underlying cause of the deficit.

The very fact that the demands of the departments for resources from the budget during its formation exceeded its possibilities by more than Kcs100 billion presaged at the very least a state of tension in the economy during the entire year. The onslaught did not cease even after the budget was approved, while few of the demands for money from the budget could have been said to lack substantiation or at least rationality...but...

SR Minister of Finance Julius Toth recently pointed out the maybe at first glance seemingly simple, but still valid truth that even from a savings pass book we cannot withdraw more than is deposited in it. And since, as the minister said, in the first two quarters of the year, items

that the budget originally did not include were also defrayed from the budget, it could result in nothing but a deficit. Minister Toth stated that as a bare fact and called it a mistake.

The state closing account for last year was not approved by the deputies. Today, the deficit of more than Kcs10 billion has the thankless role of being a burden on the new budget. Of the Kcs10 billion, as Minister Toth reported, almost Kcs7 billion is still not covered. Loans, which the state treasury did not anticipate, are being drawn to cover that sum. Minister Toth sees the solution in issuing state bonds. They will resolve the situation only in part, because the bonds also have to be paid.

The unfavorable tendencies from last year so far have not been successfully reversed. It was calculated that by 23 June they led to a deficit in the budget management of Kcs2.9 billion. An educated estimate of revenues going into the state budget is not at all optimistic because it assumes a deficit by the end of the year of around Kcs10 to Kcs12 billion.

The evaluation of the net position of the government sector toward the banks is negative for almost the entire first two quarters.

This is documented by data showing Kcs13.7 billion of liabilities, and assets that were only a little over Kcs2 billion. Internal debt, as the balance of assets and liabilities, represents the sum of Kcs11.6 billion as of 23 June.

The risks resulting from the impact on the state budget of the guarantees for bank loans are not very encouraging either. During the past two years the state budget took on guarantees for Kcs38.6 billion worth of loans, and more loans, almost Kcs16 billion, from abroad are in the works for this year, for which banks also expect to be given guarantees. No means for covering the risk arising from the loan guarantees have been set aside.

The financial situation of the Slovak Republic is thus more than unfavorable. After calculating all the realistic items and realistic risks, the minister of finance evaluated it as a deficit of almost Kcs25 billion. The statement about the mostly favorable disbursement of expenditures from the budget sounds perhaps not only as a patch for the hole in the pocket, but maybe also as a search for a possible solution. Regulation of expenditures functioned during the first two quarters. In the present situation, it appears to be one of the means of keeping at least within some limits and avoiding a devastating crisis. The evaluation presented by the SR Ministry of Finance implies that without regulation the financial situation would worsen by about Kcs10 to Kcs12 billion.

Minister Toth already announced publicly that the regulatory system cannot be abandoned at this time. On the contrary, he expects it to be tightened up in order to make it possible to equalize the daily disbursements from the budget. According to him, the aim will also be to make the limits take into consideration the specific needs of the departments.

Above all, in a short time the economic ministers will have to submit to the government for discussion their own proposals for measures designed to achieve savings, as well as proposals for improving the flow of revenues into the state budget. In no way, as Minister Toth emphasized, will the cuts in expenditures affect social security payments and wages.

The minister is, of course, also considering other possibilities of improving the financial situation. One of them is a thorough tax control. Its effectiveness manifested itself already last year, when precisely because of it, the budget gained about Kcs2 billion. The Ministry of Finance will work together with the Ministry of Interior and the Ministry of Justice on a system of measures aimed at achieving a marked improvement in tax discipline. It appears that there are many entrepreneurs who do not pay taxes.

Minister Toth thinks that it would also be useful to strengthen the links between customs and the tax offices.

Minister Toth said word for word that the government is determined not to allow a deficit to develop in the state budget. It cannot afford to, if words about growth are not to remain just that—words.

Moderation in Number of Reported Suicides Noted

*92CH0829A Prague DOKUMENTACNI PREHLED
in Czech 2 Jul 92 pp H1-2*

[Unattributed article: "Suicides in Czechoslovakia"]

[Text] Suicide represents a moral, sociological, psychological, and philosophical problem in modern society. In Europe, the number of suicides has increased by 60 percent since 1980, with the largest increase occurring in Ireland (an increase of 400 percent). Sweden also has great problems with the suicide rate of its population. According to long-term statistical studies, suicide declines during periods of sharp social changes and crises. In periods of stability and social peace, the number of suicides can, in turn, rise.

Within the framework of Europe, Czechoslovakia ranks among those countries having an average suicide rate. The decline in the number of completed suicides on our territory during both world wars is a reflection of the rule regarding the lower number of suicides during critical periods. The suicide rate also declined after 1945, following the departure of the German ethnic group which was characterized by a greater inclination toward suicide than was the rest of the population. Long-term investigations indicate that the number of suicides increased temporarily at the end of the 1960's and the beginning of the 1970's, during the period of so-called normalization.

Beginning in 1970, the number of successful suicides in the CSFR has been declining steadily. The decline is particularly noticeable among the male population of the Czech Republic. As of 1975, the number of suicides has

declined by more than one-fifth. In 1990, the suicide rate increased slightly in comparison with 1989. While suicide deaths among women in the Czech Republic in 1990 impacted various age groups, as was the case during the previous year, the suicide rate among men increased noticeably with regard to groups older than 40 years of age. In the Slovak Republic, a similar increase is noticeable for both sexes, but is more marked among inhabitants older than 60 years of age. In contrast to Slovakia, the increase in the Czech Republic is partially balanced by a decline in suicides among the lower age groups.

According to general data on the suicide rate in the CSFR, a similar method for terminating life is more frequently chosen by men than by women. The most frequent method of suicide involves hanging or strangulation (more than 65 percent of all suicides). A predominant position is also occupied by jumping from great heights. This method is preferred primarily by women. In recent times, poisoning by various solid or liquid substances has increased. The number of suicides by gas inhalation has declined.

From the standpoint of the seasons of the year, suicides occur most frequently in Czechoslovakia in the months of May and March, followed by January and April. The smallest number of suicides occurs in December. From the standpoint of the time of day, men most frequently commit suicide between 2200 hours and 0700 hours, followed by the hours from 1200 hours to 1800 hours. During the previous period, suicides among women were distributed uniformly with regard to the time of day,

with the exception of the forenoon hours. Currently, the distribution of female suicides is approaching the values recorded for men.

As far as the number of committed suicides in Czechoslovakia is concerned, first place is occupied by men and the generally older age groups among the population. In terms of statistics dealing with attempted suicides, women are in the lead and age groups between 15 and 19 years of age are involved. Among alcoholics and intoxicated individuals, the suicide rate is approximately seven times higher than that for the remainder of the population.

From the standpoint of motivation for suicide, the most numerous group is the group for which it is either very difficult to determine motivation or where motivation is not understood. The number of suicides in which the motive is illness is numerically strong. This is followed by a group of people who solve their conflicts with society, with public interests, or personal and family conflicts in this manner. Material concerns or concerns dealing with one's livelihood are represented among the reasons for suicide only in a minor way.

The greatest number of suicide attempts occurs in towns and communities which have up to 2,000 inhabitants, followed by the residents of large towns with more than 100,000 inhabitants. In the Czech Republic, the regions accounting for the largest number of suicides include the territory of northern Moravia, southern Moravia, and eastern Bohemia. In the Slovak Republic, the largest number of suicides occurs in West Slovakia kraj and in eastern Slovakia.

MSZP Representative on 'Democratic Conversion'

*92CH0798A Budapest TALLOZO in Hungarian
2 Jul 92 pp 1,265-1,266*

[“Transcript” of interview with Gyorgy Keleti, former colonel and newly elected Hungarian Socialist Party representative, by Janos Betlen and Laszlo Juszt, from the television program A NAP TV; place and date of interview not given: “I Have No Illusions”]

[Text] [Juszt] Gyorgy Keleti is a reserve colonel and parliamentary representative of the MSZP [Hungarian Socialist Party]. How should we address you—Colonel or Mr. Representative?

[Keleti] Gyorgy Keleti. Namely, officially I will only become a representative in September. Though I will receive my letter of credence in Kisber tomorrow, my mandate will only be accepted either on 31 August or on 1 September, because parliament has already started summer vacation.

[Betlen] Is it not strange that one day you were an official of the government, and the next day you became a representative of the opposition?

[Keleti] No. For the simple reason that I have never for a moment been ashamed, or have made a secret, of being a sympathizer of a party that is currently in the opposition. In 1990, at the first free democratic elections, I was on the national list of the MSZP. True enough, some people in the Ministry of Defense brought this up now, but it is a fact: It was on the posters, it was in print.

[Juszt] Don't you think it must have been difficult for your superior to lead a ministry while at the same time he had to be prepared that at any moment you, in possession of important secrets, might go over to the opposition?

[Keleti] I have never divulged any military secrets. My superior did not have to be in an unpleasant situation because of this. I think he trusted me for two years. I will not divulge military secrets in the future either, unless I receive some sort of a dispensation in connection with certain matters.

[Betlen] Indeed, what kind of military secrets did you learn?

[Keleti] Well, the blockade by the taxi drivers was an interesting thing, I think.

[Betlen] You mean, during the blockade by the taxi drivers there were things that were classified as secrets?

[Keleti] Of course: the operation of the army at the time. What happened and what did not happen in the barracks is, of course, a military secret. I would like to note, though, that the army was never preparing to shoot.

[Juszt] According to certain bits of information, the various units spent the time in the barracks in complete inactivity.

[Keleti] I don't know where these various pieces of information come from, because whoever said this has, for instance, already divulged a military secret.

[Juszt] In the fall you said that “in the past decades the Hungarian army served foreign interests in a country which lost its sovereignty.” Colonel Keleti, when did you realize this?

[Keleti] It was not really necessary to realize it, since everyone in the country knew it. Everyone was aware that the structure of the Warsaw Pact conforms to foreign interests; namely, the idea that, if necessary, the Hungarian army would start an attack in the direction of Vienna or northern Italy hardly suited Hungarian interests.

[Betlen] Did you never think that this is in some respect still good for us? I am asking you this question because you were a member of the Communist Party. Did you never believe in it?

[Keleti] In connection with the operation of the Warsaw Pact there was propaganda that was very much alive in the army. At the time, we heard only that NATO was an aggressive military organization that was preparing to annihilate and overrun the Warsaw Pact.

[Betlen] Nobody believed that any longer during the past 10 or 20 years.

[Keleti] This is what I meant, the past few years, when I said that the various items of propaganda by the Warsaw Pact, and the military doctrine that the Warsaw Pact drew up, were clearly questioned within the staff of officers of the Hungarian army. I would like to remind you that the last military exercise by the Warsaw Pact in which Hungary took part was three or four years ago. And at that time nobody had an idea that the Warsaw Pact would be liquidated.

[Juszt] Does the majority of officers think like this?

[Keleti] I think that the majority of the staff of officers thought this way during the last three or four years.

[Juszt] And today?

[Keleti] What the staff of officers is thinking about today, I don't know. What I know is that the staff of officers is living in very difficult conditions. The standard of living of the officers and noncommissioned officers is very low. One-third of them are living on or below the poverty line. I know that the staff of officers is very disheartened because the modernization of weapons and the army is not happening. I would like to remind you that the program of the government, published two years ago, said that the military budget must be increased in the following year. Since then it has been continually decreasing.

[Juszt] There is no money.

[Keleti] An army is only needed when it is needed. In my opinion the military budget, these 60 billion forints [Ft] that have already been decreased by a few billion because central shortages made it necessary, is structured in such a way that about two-thirds cover wages and wagelike expenses. Nowhere in the world is there such a military budget. It is an impossible situation that a military budget spends a considerable portion on wagelike expenses. Every January, "Uncle State" gives the army its 44-percent social security, and then he demands it back every month. This is not a military budget.

[Betlen] Every state-owned company can say the same.

[Keleti] Why don't they say it then? I said it now.

[Betlen] They want to motivate you to decrease personnel in order to save money.

[Keleti] There is a manipulative budget that shows how much money you could get. But one can calculate already at the beginning of the year that about one-third of it will have to be paid back.

[Betlen] Colonel Keleti, you will not be in charge of economic issues in parliament, will you?

[Keleti] I hope not.

[Betlen] I believe that you underwent a democratic conversion. I would like to know where the turning point was, how it happened?

[Keleti] I think it happened exactly in 1988. The army, or at least the staff of officers, was living in a peculiar, closed world. It is not by chance that there are housing developments for officers, and the friends of officers are mostly officers themselves. That is to say, in a way we were isolated from society, and the current officers are isolated as well. Until 1988 the official propaganda reaching the officers and noncommissioned officers was not the propaganda of the opposition. The first time one could hear about certain oppositional ideas was in 1988. I would like to mention here Lakitelek, when, surprisingly, MAGYAR NEMZET took up the issue of Lakitelek in connection with Pozsgay's speech. On 15 March 1988 the propaganda could not conceal what had happened on the anniversary. This was for me, and for many in the army, the year of change.

[Juszt] Your real breakthrough was at the time of the Romanian revolution, but you had been trying your wings even before that, as a press manager. It was the Romanian revolution that established your reputation, which helped you become the most legitimate member of the Hungarian parliament, because there has never been another representative who was elected by such a large percentage. (...) You have been accused of having some sort of relations with the Secu [Securitate—Romanian secret service]. This could have been a result of the fact that your father, who is mentioned a lot lately, was an ambassador to Bucharest.

[Keleti] I lived in Romania between the time I was 10 and 14. I don't really remember establishing relations with the Securitate at that time.

[Juszt] We mentioned your father. This election campaign was fairly strange. How did you experience it?

[Keleti] After the first round, the election campaign degenerated into an unethical fight, thanks to one of my opponents. I don't blame Mr. Pongracz himself for this. I blame those who prepared his campaign for him in such a way. On one occasion I called Mr. Pongracz on the telephone and asked him if he knew about this article. He said he had not read it, and he was glad I told him about it so he could look at it. I was glad he was glad. Then I asked him whether this meant that this issue would be distributed? He said no; he would talk to his campaign manager. Mr. Pongracz did not tell a lie; this issue of MAGYAR FORUM was not distributed, but the RING, which took over the article in MAGYAR FORUM, was distributed.

[Betlen] In this article your father is accused of having had to do with political trials and sentences in his capacity as an intermediate party official.

[Keleti] The most serious thing is that this article calls my father the greatest murderer of the last 50 years. It must be read from beginning to end. It says that Ferenc Keleti can rightly be regarded as the successor of a bloodthirsty tyrant of 1849, and then of another bloodthirsty Communist in 1919; only then comes Ferenc Keleti. This is by the historian Ferenc Kubinyi....

[Betlen] Writer, not historian.

[Keleti] I thought he was a radio reporter, because when I was a member of KISZ [Communist Youth Organization] he was on the radio program "The Bugle-Call Sounds"....

[Betlen] Everyone can develop.

[Keleti] Of course, naturally. Until now. That gentleman is not aware of what the situation in Hungary was between 1945 and 1956. The gentleman was only able to line up unfounded and untrue abusive adjectives, not to prove anything, and in this way to forge a pretty article with the purpose of discrediting a person. (...)

[Betlen] Then the story is not true at all?

[Keleti] It is not true.

[Betlen] Can you be sure of that?

[Keleti] My father was the director of the administrative department from 1953 to the end of 1955. This was the period of the rehabilitation trials. One should know that. I am not the type who would sue people right and left, but I will not let my father's memory be disgraced in such a way. I intend to sue in the near future. The lawyers will tell me who to sue.

[Betlen] What else made you say that the election campaign was not fair?

[Keleti] They wanted to buy the voters. This is an old trick, a proven method in Hungary.

[Betlen] Are you thinking of the tombola that they wanted to have if Under Secretary Pongracz won in one of the election districts? Why did you not register an objection to it with the election committee, if it was not proper?

[Keleti] First of all, as far as I know, the election committee was told that the election codex and ethical codex signed in 1990 was no longer valid; they don't have to take sides in matters of ethics, but rather only if the election law is violated. And this matter does not concern the election committee. I have always trusted people, and for this very reason I wrote a letter today to the foundation which introduced the game of Tombola, and asked it to draw a ticket for the more than Ft3 million independent of the result of the election. Namely, this money was not only offered to Representative Pongracz, or to anyone, if he wins, but rather to the people who live there. I think that if this money still exists and was intended to aid an enterprise in the area, then it should be awarded.

[Betlen] There were objections against your people as well, namely that certain people called Under Secretary Pongracz a fascist; also, his posters were pasted over. Who can decide who committed the dirtier tricks?

[Keleti] I think the citizens will decide. This is very simple. I think a vote in Oroszlany for Mr. Pongracz cost him about Ft10,000-15,000, if we divide the votes into the money he spent on them.

[Juszt] Could you tell us how much the MSZP spent on you this time?

[Keleti] About Ft750,000. A 10-minute movie was made about me. This was made by my friends for free. Then, for instance, matchboxes were made with photos. This we were censured for, that we threw away money on things like this, like matchboxes with photos. Then I said that they were at least useful. Mr. Torgyan was shouting about these matches at the general assembly, saying that Gyorgy Keleti wanted to set the country on fire. A man who called me "Colonel" said to me: "These matches are good, because at least I can use them to burn the filth that was delivered to my mailbox."

[Betlen] Why didn't you participate in the tv discussion with Under Secretary Pongracz in the local Oroszlany studio?

[Keleti] The team of Under Secretary Pongracz bought the Friday night program of the Oroszlany city television from 1800 to 2200 hours. This costs about Ft2,500 per minute. Think about how much was spent by whom on the campaign. Then I asked the chief editor of the Oroszlany TV to give us at least 20 minutes. He said he would talk to the MDF [Hungarian Democratic Forum]

campaign organizer. They didn't give it to us. Then we bought it from 2200 to 2230 hours. As soon as the MDF found out about this, it bought the program from 2230 to 2400 hours. The tariffs, of course, didn't change. When we finished the program which started at 2200 hours, Mr. Pongracz came up to me and asked: "Are you prepared to have a discussion with me?" I said, "Of course, let's sit down." He said, "On the program." I said, "Mr. Pongracz, you promised in the preview that you would hold a telephone forum; don't cheat the viewers and listeners, they are expecting you." This he announced in such a way that I got cold feet.

[Betlen] Didn't you have the feeling back then that you were not prepared? That Pongracz would ask you what the status of the budget reserve fund and the budget deficit was?

[Keleti] He probably would have asked me that, because when he said on TV that I shied away from the question and answer session, he said that he would have liked to have a conversation with me about the role of agricultural credit or loan construction. I thought to myself that I would gladly talk to him about how to organize the military tasks if, say, the coal mine of Oroszlany were attacked by the enemy.

[Juszt] Colonel Keleti, why did you say that you will be able to cooperate with every kind of representative of the opposition, but you have no illusions when it comes to the governing parties?

[Keleti] Because I have no illusions. It is this simple, isn't it?

[Juszt] When you resigned, you said only good things about Lajos Fur. Will you not be able to cooperate with him, either?

[Keleti] When the MDF's newspaper published this article—because we all know that the MAGYAR FORUM is an MDF paper, and I think Mr. Csurka is already sharpening his pocket knife or has dipped his pen already to get me—that is to say, it is to be expected that there will be more tirades against me, then, I think, one cannot have illusions. When this article was published, I called Lajos Fur on the telephone, but I couldn't reach him because he was in a cabinet meeting. I left him a message that the article had been published and this wasn't fair play towards me. It wasn't fair because this article was written for an assignment and it had already been in the editorial office for about two months. I have very concrete information that if I had remained in the ministry, this article would have been published in order to remove me from the ministry. As it was not timely to publish the article, because I left the ministry, it was put aside.

[Betlen] Can you prove this if necessary?

[Keleti] Why couldn't I prove it? The author himself wrote that the editorial staff added comments. If I remember correctly, he gave the article to the editorial office on 23 April.

[Betlen] This doesn't prove that the article would have been published to remove you from the ministry.

[Keleti] This is the way I knew it. I think probably the prime minister will not sue me for it.

[Betlen] Throughout your campaign you said you would not promise anything because it would be irresponsible.

[Keleti] I did promise the people one or two good things. I went to one of Mr. Pongracz's programs—a miners' forum—to see what was going on. A man stood up and said that if Mr. Pongracz was elected, he would open soup kitchens there in Oroszlany. At the next election meeting I said I would not promise you anything. I would like you to have your own bean soup at home every Sunday, and not to have a soup kitchen.

[Betlen] It was an honorable thing not to promise anything, for it is very easy to keep. But a program is necessary!

[Keleti] Hold it right there, gentlemen. You are a bit removed from life. You sit here every morning in the TV studio. Listen to me: A person who makes a promise today in this country is lying.

[Betlen] We think it was honorable that you did not make a promise. We would only like to know whether this is enough for a program.

[Keleti] Someone who makes a promise about a mine—now, when it is being transformed, when the old parent company is being made into an affiliated company, when 920-930 jobs are being cut in this mine, if someone promises that in a month there will be no more layoffs, he is irresponsible, because he cannot know that. If someone makes a promise today about agriculture, especially at the foot of the Bakony or the Vertes Mountains, he is also irresponsible. I could not believe, and was only convinced during the nearly two months of the campaign, that the people in this country have gotten into a terribly bad situation in the past two years.

[Betlen] Was it fair to bring this up now? Why is this an answer to the question whether this is enough for a program?

[Keleti] I didn't say this was enough for a program. I only said that today it would be irresponsible to make promises. On the last night, Mr. Pongracz said the following: "I went to Kornye, looked at things, looked at the problems; they can be solved." Afterwards I looked it up on the map, because it seemed suspicious to me. Kornye was not even in his election district.

[Betlen] The next step is parliament. What are you planning to do?

[Keleti] When we found out that I won the election, my wife and I called my mother. She said: "My son, do your job honestly." This is what I am planning to do.

Commentary on Law on Employee Stock Ownership

Financial Expert Comments

92CH0853A Budapest MAGYAR NEMZET (*Economic supplement*) in Hungarian 13 Jul 92 p I

[Unattributed interview with Istvan Csillag, deputy director of Financial Research, Inc.; place and date not given: "Istvan Csillag: Henceforth the State Will Hand Out Ownership Certificates Instead of Meat Coupons; Benefit for the Workers' Aristocracy?"]

[Text] Following examples set in America and Great Britain, Hungary, too, has established the legal framework for employees owning stock of their workplaces when parliament adopted the law on Employee Share Ownership [MRP]. Although the originally proposed law was amended at several points, its basic objective, the broadening of the propertied stratum in Hungary while dismantling state property, remains unchanged. The MRP is an incentive for workers to increase profits. Several studies indicate that enterprises operate more successfully where employees own stock, and thus have a say in decisions pertaining to the future of their firms. The MRP is expected to accelerate privatization in Hungary; nevertheless, many doubts exist regarding this method of creating a proletariat interested in profits.

Hungarian privatization appears to be coming to a turning point: A strong inclination to distribute the state's property is manifest. Despite this fact, privatization is already an ongoing process in Hungary, but in the rest of the East European countries it remains only a plan, according to Istvan Csillag, Financial Research, Inc., deputy director.

[MAGYAR NEMZET] One hears calls for accelerated privatization from everywhere these days, for the creation of new owners by using various techniques in the absence of adequate demand. Should this be understood to mean that we, too, would take the East European track? And if so, would this be beneficial from our standpoint?

[Csillag] Ever since the corporate law had taken effect four years ago, Hungarian privatization and the conversion process had differed from those seen in East European countries. Endeavors to find investors concerned about their money have always been made in Hungary—people who wanted to increase their financial resources and who would act as real owners of the enterprises. Another important consideration, by now a goal, also played a role: privatization must produce revenues for the state. In contrast, in the rest of the region they underscored the importance of transferring state enterprises to private hands as fast as

possible, thus establishing the broadest possible ownership stratum in each country. The essence of the Czech and the Polish models is the establishment of investment funds. These funds acquire the stock of state enterprises converted into corporations, then distribute the stock to the populace based on one or another technique. This is what privatization means in East Europe, for the time being. Hungary, on the other hand, is so poor that it cannot permit itself to distribute assets on grounds of privatization.

[MAGYAR NEMZET] But the rest of the countries are also poor....

[Csillag] We must always view this on a relative scale. In a country of the size of Poland, where the economy has fallen to an immeasurably low point, it makes absolutely no difference whether they divide or multiply. Similarly, Czech-Slovakia, a country that was not indebted and was able to maintain its economic performance level more or less, has no real problem if privatization fails to produce much revenue. This is not the case in Hungary, however.

[MAGYAR NEMZET] Last year you said that Hungarian privatization might come to a turning point in 1992. Has your prediction come true, and if so, to what extent could we regard this as a turning point?

[Csillag] I could mention at least three reasons why a turning point appears to be evolving. One is based on politics. Notably: The Hungarian populace has thus far been unable to become involved privatization to the extent expected. Since the best way for any political force to stabilize its power is to give something to the people—not of its own, but of the country's resources—an increasingly strong inclination exists to distribute assets among the populace by using various artificial means, even if not the most primitive techniques. (The most typical example for this is the compensation program or the return of real property to the churches.) The MRP or the privatization leasing program could be regarded as such distribution techniques.

The other factor that drives Hungarian privatization toward distribution of property is the rapid deterioration of enterprises. The market value of firms is declining at an incredible rate; their value has dropped by half in the course of a year, according to estimates. I support this statement with one piece of information: While the price/income ratio of domestic enterprises traded on the stock exchange in 1990—i.e., the best enterprises—was 16:20, last year's ratio has dropped to 10:12. One could assume that the indexes of inferior enterprises were far worse than that. For this reason, we must convert the enterprises as soon as possible, if we want to provide revenues to the state to pay its debts. We are going to run out of things to sell, if we don't. We're running out of things to sell not because someone salvages or squanders the property, but simply because the enterprises are going broke. This alone explains why there is a strong inclination to distribute property by creating artificial demand. The third factor that encourages distribution is

the fact that privatization has become an endeavor guided by the state, it has become an act of nationalism. The same thing had happened in England, and it works the same way in East Europe. What can the state give to its citizens? As we have seen before, the state has been able to hand out meat coupons, and today it is handing out certificates of ownership.

[MAGYAR NEMZET] This seems to be supported by the new privatization laws. It took some time to write them, racing to catch up with the pace at which enterprises deteriorated....

[Csillag] Privatization laws, far from being new insofar as substance is concerned, consist of none other than paragraphs from the conversion law written by the previous government. The only slight difference is that while the previous government had perceived privatization as a process starting out from the actions of enterprises, the present process includes direction provided by the state, such as conversion forced by the state, as a result of which the state is going "privatize" all state enterprises by 30 June 1993, come what may.

[MAGYAR NEMZET] But there is yet another tiny difference as compared to the earlier laws: They created a State Property Management Corporation in addition to the AVU [State Property Agency]; one cannot tell where exactly that organization belongs.

[Csillag] Indeed, the establishment of these strong fortifications has changed the previous situation. But despite all the skepticism I must say that privatization is on the right track. The direction from where the wind blows cannot be changed, regardless of the distribution techniques and of the strengthening political movement character of privatization. When the Russians emancipated the serfs the czar had only one choice: to turn his sails in the direction of, or against, the wind. But the czar was unable to create the wind itself. At present the wind is blowing in only one direction, notably, in the direction of dismantling national borders and proactive state institutions. The Holy Trinity that appears to be evolving in West Europe since the beginning of the 1980's—privatization, deregulation (getting rid of state institutions), and guidance by monetary (financial) policies—has become firmly entrenched in Hungary despite all the devils and frankincense. This is why I believe that the movement character of privatization is going to decline, and in the end is going to remain what it has been: business.

[MAGYAR NEMZET] Parliament has recently adopted a law concerning employee share ownership. Is this going to boost Hungarian privatization?

[Csillag] This measure amounts to a kind of tax benefit in the final analysis, and the MRP is not an institution. The essence of it is that enterprises pay the installments that should be paid by the future owners, from their own profits without having to pay taxes on these profits. I believe that the MRP could become the source of many unfair situations. Why should bakers from Zala County be the only ones able to purchase bakeries in Zala

County, why should not everyone else be able to do so? On the other hand, as long as we are so generous, why should only those people be able to become owners who are fortunate enough to be employed by an enterprise that is still profitable? I do not want to go too far with this argument, but the workers at the Tatabanya coal mines would not be able to take advantage of the MRP program even if they wanted to. There has to be a possibility to take advantage of tax benefits in order to do so, and a tax benefit can be obtained only if there is something to be taxed. Consequently, the MRP institution is a benefit given to the workers' aristocracy, i.e. it can be taken advantage of by influential, good workers employed at still profitable enterprises.

[MAGYAR NEMZET] In summary then, where does privatization in Hungary stand today?

[Csillag] Despite all the difficulties and turnarounds, privatization is functioning in Hungary. This is in contrast to the rest of the East European countries, most of which have only plans to privatize. There is concern that the most promising effort in Czech-Slovakia could come to a halt as a result of the partitioning of that country.

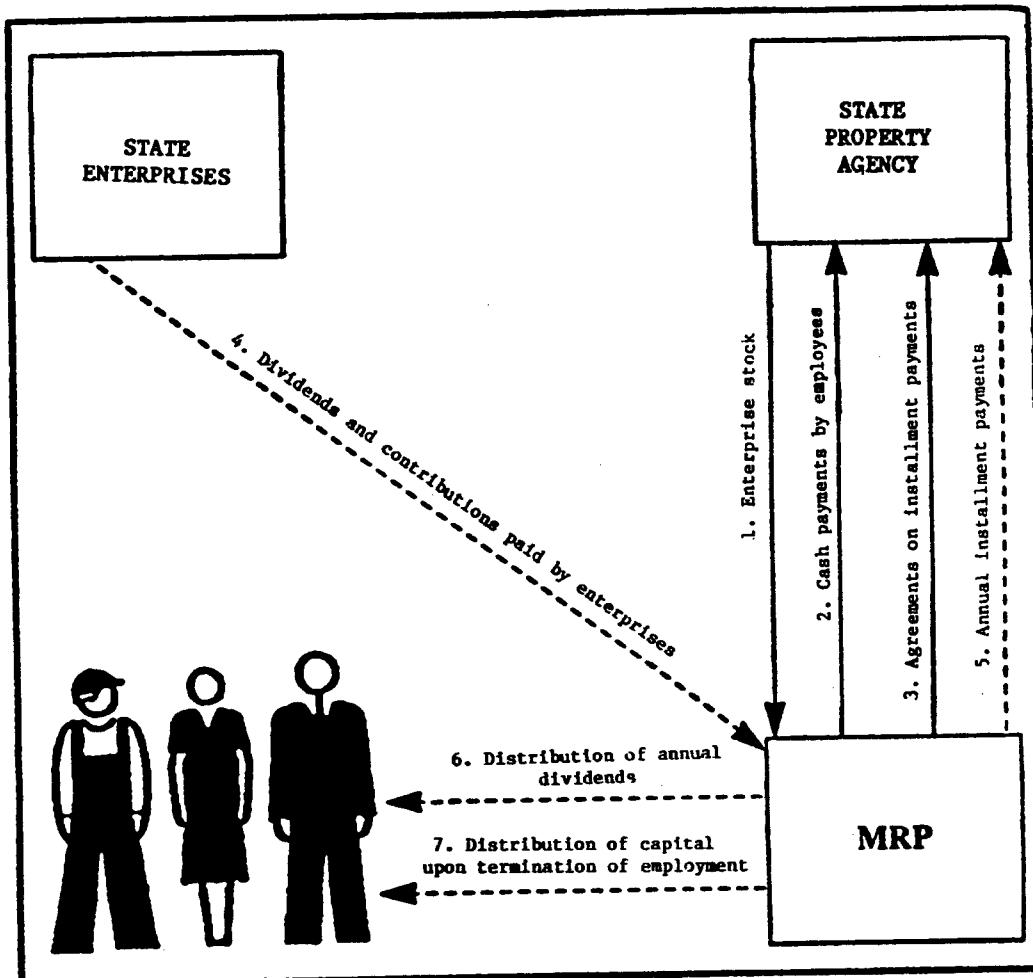
Summary of Legal Provisions

92CH0853B Budapest MAGYAR NEMZET (Economic supplement) in Hungarian 13 Jul 92 p III

[Unattributed report: "The Law..."]

[Text] The basic principle of MRP [Employee Share Ownership]: to create small owners and to raise new capital by borrowing for production purposes so that the productive capital amortizes itself. The MRP is a buyout based on credit in the interests of employees, as a result of which many citizens become independent stockholders. Here are excerpts from the recently adopted MRP law.

A stock corporation or limited-liability corporation registered in Hungary may sell its stock or business shares to its employees in the framework of the Employee Share Ownership Program. Employees become eligible to participate in the MRP after six months of employment. If at least 25 percent of the employees are interested in becoming part owners in their enterprise in the MRP framework, an MRP organization must be established for this purpose. A three-member organizing committee



of this organization must prepare a feasibility study, which states whether the financial situation of the enterprise permits installment payments on the price of the property to be acquired by employees, including on the accrued interest. With the feasibility study in hand, the organizing committee may file a credit application with any financial institution, or may offer to make installment payments to the owner who sells part of his property. The MRP organization may purchase part of the property offered for sale on credit or for installment payments, or by using the workers' own resources. (Workers must pay from their own resources 2 percent of the purchase price up to 5 million forints [Ft], 15 percent up to Ft10 million, and 25 percent over and above Ft10 million.) The share of property thus acquired cannot be sold by the MRP organization, and no dividends can be paid after the stock before all installments have been paid. Loans and installment payments may be arranged for 10 years, at most. The loan, to be guaranteed by the firm, must be paid off from the future profits of the enterprise. Interest to be charged on loans for the purchase of property owned by the state property management organization equals the interest rate charged on loans granted by the small business loan fund [E-loan]. Upon his retirement, the employee-owner may sell his share of the property, and the MRP organization has pre-purchase rights with respect to such property.

The enterprise pays no taxes after stock transferred to employees in the framework of the MRP. (The law provides that an enterprise may grant a maximum, tax exempt support of up to 20 percent of its annual net profits.) Workers pay no taxes after property acquired through the MRP program.

MRP Advocate Interviewed

92CH0853C Budapest MAGYAR NEMZET (Economic supplement) in Hungarian 13 Jul 92 p III

[Unattributed interview with Janos Lukacs, MRP foundation director and AVU board member; place and date not given: "Part-Purchase Foundation: Forging Success"]

[Excerpt] *Most people know this much about the MRP [Employee Share Ownership]: Henceforth, one can buy an enterprise worth 1 million forints [Ft] for as little as Ft20,000. The MRP law is more complicated than that, however. Janos Lukacs, the person most determined to fight for the MRP—the founder of Part-Purchase Foundation and a member of the AVU [State Property Agency] board of directors—told us about the origin of the program, its motivation, and the expected results.*

[Passage omitted]

[MAGYAR NEMZET] What interests motivate the various parties to the MRP?

[Lukacs] There are several lead actors in the present structure: the seller, the state, and the buyers (and their interest groups). Owners wanting to sell a firm are

motivated by the idea of not having to provide employee incentives through wage increases, but rather through increased corporate income. Specific examples in the United States show that workers who became part owners surrendered wage increases for several years, and that in some instances, workers agreed to wage reductions in order to put back on its feet a firm they felt to be their own.

Beyond stimulating better performance, the application of the MRP program also raises supplemental capital for an enterprise. This is so because the firm issues new stock by using the money the workers, or the MRP organization on behalf of the workers, borrows from the bank and invests in the enterprise. The owner further benefits as a result of an MRP—the sale of the business to employees—because the revenues thus acquired are tax exempt, provided that such funds are invested in new entrepreneurial ventures.

[MAGYAR NEMZET] Why is the state willing to surrender its tax revenues? In general, what state interest is there in turning employees into owners?

[Lukacs] It pays for the state to support the MRP in the long run, by all means. In part, the firm's supplemental capital influx could act as an economic stimulant that reduces unemployment and increases further tax revenues. Supplemental income generated by a firm with the help of the MRP, i.e., increased income due to increased production, as compared to the income and production levels prior to the MRP, could mean substantial supplemental tax revenues for the state in the long run.

[MAGYAR NEMZET] This program seems to be a miracle cure, based on what you just said....

[Lukacs] I do not claim that every firm can be saved with the help of this program. In the United States, where this program originates, the typical use of this program did not involve bankrupt firms (only 2 to 3 percent of all ESOP [Employee Share Ownership Program] firms are near bankruptcy). In reality, the MRP is a means to make successful firms even more successful.

[MAGYAR NEMZET] But we do not have such successful enterprises as of this moment....

[Lukacs] If all the MRP does is to mobilize the small savings of employees, to prompt employees to invest their money into their own firms instead of depositing their money in the bank—because they recognize the merits of providing supplemental capital resources to their enterprise, thus giving a chance for the enterprise to produce profitably—this alone will be a good result. The MRP is a "valuable" tool to the extent that it is capable of establishing a Hungarian small owners' stratum called for by the state. The employee interest in participating in MRP is clear-cut. In addition to acquiring income over and above their wages, they also acquire ownership rights in the enterprise in proportion to the number of shares they hold, and this is important from the standpoint of protecting their own interests. Assessments also

show that the employees are less inclined to strike if they are partial owners. In conflict situations they think twice before calling a strike, because strikes could topple the firm they feel to be their own.

Banking Executive Reacts

92CH0853D Budapest MAGYAR NEMZET (*Economic supplement*) in Hungarian 13 Jul 92 p III

[Article by Laszlo Alkonyi: "Credit or Installment Payments? Banks Are No Croesus"]

[Text] To promise workers that they are going to own property is nice, but it would be even nicer if the risks accompanying the MRP [Employee Share Ownership] could be spread among the economic factors to an extent that neither the commercial banks, nor the state, nor the workers would have to scrape up pennies in their pockets. Miklos Pulai, Banking Association executive director, also has doubts about this matter.

Among all the chief factors active in the MRP, banks play a significant role because they administer the credit aspects of the program. Garancia Corporation is expected to join this group; it may guarantee up to 80 percent of the loans granted by commercial banks. This corporation, however, is still at a nascent stage, contrary to the other factor with whose "help" Garancia Corporation further guarantees 70 percent of the share it took upon itself [as published].

Nothing is more urgent than to finalize, as soon as possible, the system of spreading risks, Miklos Pulai stressed. The question is whether the feasibility study prepared by an MRP organization, countersigned by a corporation, is built on castles in the air, and whether the same applies to a statement based on the feasibility study, in which the bank accepts the 10-year program advanced by the MRP organization, and states whether it does or does not grant credit.

To understand why this is so, we must ponder the situation in which a bank finds itself. It borrows money from the National Bank at a 13.2-percent annual interest rate, which, in theory, it must place out to a certain MRP organization in the form of a 10-year loan used to acquire part ownership in the enterprise. In the end the money reaches AVU [State Property Agency], and the money appears in the form of privatization revenue. At the same time, the MRP organization repays the borrowed funds in 10-year installments. If it is able to do so, that is, because the big question concerns the reliability of the 10-year program and the risk a bank is able to assume. It is possible to tell a year in advance the volume of open orders at a company, but 10 years, or even five years...? Who can guarantee that an MRP organization remains solvent for 10 years?

The Banking Association executive secretary cautions against treating banks like Croesus. As enterprises, financial institution are the same as any other corporation whose owners would like to make profits. In other words,

when examining an MRP program one must check credit worthiness, because, irrespective of whether the debtors become insolvent, banks must continue to repay the loans with interest they took from the MNB [Hungarian National Bank]. The legal requirement that enterprises must vouch for their MRP organizations is of no great help, because MRP organizations remain solvent only as long as a firm is able to pay dividends. In other words, the reliability of the enterprise and of the MRP organization is inseparable; therefore, no corporation can provide a meaningful guarantee for the repayment of indebtedness incurred by its MRP. An even more complicated situation arises if a bank already has current investment, operating fund, or any other loan with the company. In these cases a question arises as to which of the two organizations the bank should give preference to, the firm or the MRP, or with which organization it should sympathize more. One thing is certain: Banks would have to assume huge risks in the absence of an appropriate system of guarantees.

Finally, if a bank determines that a given program is unsatisfactory, another solution emerges: employees may purchase part of the property not from borrowed money, but on installment. In this case financial institutions would play only an administrative role (in other words, they would act only as conveyors of financial transactions and would not grant credit), and thus would also free themselves of risks. In such cases it would depend on the owner, of course, whether he was willing to obtain the purchase price not immediately, but in the course of 10 years.

Manufacturing Company Comments

92CH0853E Budapest MAGYAR NEMZET (*Economic supplement*) in Hungarian 13 Jul 92 p III

[Unattributed article: "As Our Own Bosses Already"]

[Text] The Factory and Machinery Assembly Enterprise, which calls itself Montex Factory and Machinery Assembly Entrepreneurial Ltd. since it reorganized itself as a corporation, is the first Hungarian firm that has become privatized in the MRP [Employee Share Ownership] spirit.

"We have supported the idea of employees acquiring ownership in the enterprise from the beginning. This is the best solution in the technological assembly industry, where the firm's success largely depends on the professional skills of the workers and their linkage to the enterprise. What else would have provided a better guarantee for not dismissing a thousand colleagues on grounds of a declining domestic market due to a lack of long-term opportunities, and without really considering these?! Now that practically the entire enterprise has become the property of the firm's core staff, we are able to control our destiny much better," according to a statement by the local representative of the steel workers union in the GYGV [Factory and Machinery Assembly Enterprise] in-house publication.

The idea of converting the GYGV into a corporation had occurred to the enterprise leadership two and a half years ago. Plans called for an employee buyout through privatization. "We were motivated for two reasons," according to legal counsel Ferenc Ronyai. "In part we felt that it would be fair to let workers acquire property. This wish was coupled with economic rationale: The relatively high employment ratio appeared to be untenable along with a relatively low volume of assets (in 1990 the enterprise had 3,500 workers while their assets amounted to 1.1 billion forints [Ft], according to their balance sheet). After conceptualizing the program, the enterprise management consulted with the Hungarian representative of Riverside, seeking help to realize conversion that results in an employee buyout. An agreement was reached between the two parties. As a result of cooperation most of Montex Ltd. is now owned by the workers."

"The solution we found resembles in many respects the model provided by the MRP law; having said that, however, we should also say that at our place we are not even talking about MRP!" the attorney stressed, but added that they are giving serious thought to converting the present GYGV foundation around which the workers rally into an MRP organization due to the tax benefits MRP organizations are entitled to.

It might be informative to Hungarian enterprises flirting with the idea of having an MRP to know how the GYGV-MRP foundation works at present. It was created to administer the purchase of property by the 2,400 workers, and as a legal entity, it acts as a negotiating partner in buying out the state's share of property. Any worker employed by the enterprise for more than four years was able to join the foundation. The factory went so far as to provide financial support to encourage workers to join the foundation. (GYGV contributed Ft100 million to the foundation from its last year's income.) In distributing foundation entitlements to the workers they considered the length of employment, their basic wages and their assignments. (For example, managers were able to claim a 25-percent larger business

share than subordinates.) By the time the privatization process had begun, the foundation had accumulated Ft120 million in enterprise contributions, Ft106 million in workers' payments, or a total of Ft226 million. On this basis the Hungarian Credit Bank [MHB], the bank that manages the enterprise's account, granted a Ft430-million privatization loan. With that, the workers acquired an 82-percent share in the enterprise appraised at Ft800 million, their's being the sole worthy response to the privatization tender. The remaining 18 percent was left with AVU [State Property Agency].

True, the MHB established one condition to secure its interests: The limited-liability corporation had to guarantee cash payments in case the foundation failed to pay. In addition, the bank accepted the company's real property as collateral, and established a requirement that stock be deposited at the bank if the limited-liability corporation reorganized itself into a stock corporation, and the business shares were converted into stock held by the workers.

"We have become indebted for 10 years, moreover under very tough conditions," Ferenc Ronyai said. "But we will be able to pay the installments if we manage the firm successfully. No dividends will be paid to the workers during the 10-year period; in other words, unfortunately, they will not see any cash flowing from the property for the time being."

Accordingly, the owner's dozen [as published] amounts to a mere fiction for the moment at GYGV. And yet, the workers feel that "they hold their own destiny in their hands," at last, even though no one can tell what the future brings to the firm. At present the limited-liability corporation, intending to convert in the future into a stock corporation, is facing some serious economic problems. There is a great shortage of capital, domestic demand is on the decline, and the company's financial situation is deteriorating. Nevertheless, Ferenc Ronyai states with certainty that the conversion involving MRP definitely had a positive effect. Privatization had come to a conclusion without any particular shock, without new management, and without the influence of a foreign owner.

New Minister of Transport Discusses Program
92EP0609A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 29 Jul 92 p I

[Interview with Zbigniew Jaworski, minister of transportation and maritime economy, by Wieslawa Mazur; place and date not given: "Credo, the Government's Coherent Program"]

[Text] [Mazur] During the hearing before the Sejm commission you looked lost and seemed to be lacking self-confidence. Why?

[Jaworski] I admit that the offer to take over such a high post surprised me. As you may recall, it was around midnight. I was tired. I was aware that my answers were lacking precision and, simply stated, I knew nothing about many of the problems.

[Mazur] How is it today?

[Jaworski] There is no room for a separate ministerial policy. The ministry will pursue a coherent program of the government of the Republic of Poland. I will expect quality work, and timeliness and loyalty from my close coworkers.

[Mazur] How have you been received in this building as a minister?

[Jaworski] In a friendly manner. That is how I perceived it, despite the fact that it was on the 13th of the month. Deputy Prime Minister Henryk Goryszewski, who had worked here many years in the legal department, participated in the meeting with the ministry's management. I have to add that I myself have had ties with this ministry for more than 20 years. After the first weeks on the job I can tell that there is no shortage of people around me who are helpful. Ewaryst Waligorski, my predecessor, have promised to familiarize me with various problems of this ministry. I have accepted his offer with gratitude.

[Mazur] What was your first decision?

[Jaworski] Believe me, I am not trying to flatter you, but I ordered to have my newspaper, RZECZPOSPOLITA, delivered to my office every morning. On the other hand, some of the first information I requested pertained to people who work here—the ministry employs 274 persons, not counting the management and the military personnel. In addition, I have become acquainted with the ministry's departments. Then I have begun analyzing the list of tasks and difficulties.

[Mazur] Having read that, what are the most urgent problems that, in your opinion, need to be solved immediately?

[Jaworski] I will come back to that. Let me first say that the demand for transportation in our country is huge, many times higher than among the EEC countries. There are many reasons for that. One of the most important is our economy's great dependence on raw materials, as well as the inconvenient location of resources vis-a-vis

the location of processing plants. Despite the fact that the transportation needs of Poland's economy are so great, only 7.1 percent of yearly investments have been devoted on the average to transportation and communication in the period 1981-85, as opposed to 18.3 percent in Greece, 14.3 in Belgium, 14.1 in Italy, and eight in Federal Republic of Germany, which has a pretty good transportation infrastructure already. In the period 1986-90, on the average 7.5 percent of the total investment funds have been devoted to transportation and communication in Poland. It has led to the deterioration of the technical basis of transportation—railroads, highways, waterways, sea and river harbors, as well as the equipment in the whole field. If there are some reserves of our assets, especially in the case of railroads, they are in my opinion temporary, resulting from the economic recession on the one hand, and the development of the private motor transport on the other. The whole transportation system suffers from a banal but painful illness of lack of money.

[Mazur] We know the cure, but the question is where to get it from?

[Jaworski] If it is found, it will be necessary to set spending priorities. In any circumstances there is a need to determine clearly and coherently the long term policy goals. One has to say explicitly that transportation and the maritime economy are the fields in which the state should maintain its influence. This happens even in countries with a fully developed and well-functioning market economy.

[Mazur] So, there should be state intervention.

[Jaworski] That is correct. On a selected basis, to be sure. For example, from the point of view of rational economy and the effective utilization of transportation assets, the state cannot remain neutral with regard to the allocation of transport assignments to the various branches of the transport industry. I am referring to the phenomenon of the motor transport's taking away the long distance transportation of the bulk cargoes from the railroads, and not only that. In addition, it is the state that has to prescribe a set of requirements for transport companies and their vehicles. In this area, there is a need for a clear-cut division between prerogatives and duties of the state on the one hand, and the economic enterprises on the other.

[Mazur] There has begun a timid reform of the branch of the economy that you have taken over. Are you going to continue the work of your predecessors?

[Jaworski] But this reform is not timid at all! Let me recall that in 1990 about 200 small transport firms were established, as a result of the division of the four PKS [State Motor Transport] companies. One year later, the majority of industrial, construction and repair enterprises have been removed from the structure of PKP [Polish State Railroads]. Simultaneously, trade seaports have been transformed into single treasury companies. In the beginning of this year, the structure of the highway

administration has been changed; the highway management and investment functions have been separated from the highway and bridge construction operations. This is, in the majority of cases, the first step. Privatization in various forms should be the next step. This would require that the ministry play the role of the founding agent, as described in the state enterprises law, until state companies are privatized in one way or another.

[Mazur] People familiar with this field say that the legislative backlog is responsible for delays in undertaking the reform of transportation, its management and finances, as well as in dividing prerogatives and responsibilities. In other words, the law lags behind transformations and, according to you, these will even increase.

[Jaworski] It is a problem indeed. Drafts of parliamentary bills and government decrees, which have been agreed upon by particular ministries, have been waiting for months to be reviewed by KERM [Economic Committee of the Council of Ministers], the Council of Ministers and/or Sejm. Here are examples: a draft of the new public highways law, a draft of the bill on the privatization of state airport enterprises, an amendment to the airlines law, a draft of the Council of Minister's decree about the location of highways and express roads, drafts of three maritime bills—on fishing, on the prevention of the sea pollution by ships, and an amendment to the maritime code. The drafting of the amendment to the transportation law has been extended because it has to be adjusted to the requirements of the market economy. The amending of the law regarding the conditions of the international road transport has been delayed as well. The work on the amending of the railroad law has to be accelerated. It would also be a good idea to start combatting monopolies. One can give these examples endlessly. The conclusion is obvious: We have to strive to shorten the successive phases of the legislative process.

[Mazur] How about the problems in your ministry's domain? How about particular enterprises that live with a noose of debts around their neck, walking the tightrope?

[Jaworski] I have taken over a business which needs to be mended. But this will not happen within days or even years. I will begin with the railroads. The PKP's net loss was 369 million zlotys [Z] in 1990. One year later it was almost Z10 billion. This company's loss will be probably even greater this year. Not only there is not enough money for a rational development and modernization of the railroads, but even for repair and maintenance of the huge stock, the value of which is depreciating. It is thus an ailing enterprise, but one which cannot go bankrupt for obvious reasons—it provides a service to the public, it plays a role in the transport system of Poland and Europe, and it has strategic importance for the state. It is worthy to consider the interesting concepts of railroad restructuring that the Germans have come up with. By

1994, Reichsbahn is supposed to merge with Bundesbahn into Deutsche Eisebahn, that is one single organization. It will be composed of three independent companies in charge of transporting people, goods, and railroad maintenance. I think it would be beneficial if PKP's transformation took a similar direction. As far as the highway management, which holds no secrets for me, is concerned, we are conducting preliminary negotiations with the European Reconstruction and Development Bank [EBRD], regarding its financing of the Polish highways. But the Polish contribution has to be considerable. The question is how to obtain the means? If the problem of financing is solved, then one would have to secure such a system of the means accumulation and distribution that it would guarantee their optimal utilization. The talks with the World Bank, concerning a \$150-million loan for improving the existing road system, are quite advanced.

[Mazur] Some people in the ministry do not sleep well, because, as they claim, they have nightmares about the financial situation of our national airlines, that is PLL LOT [Polish Airlines LOT]. Can you announce that not only their worrying about this company will end, but also the ministry's "holy war" against its management, under way for quite some time?

[Jaworski] LOT's economic situation must change. We will try to accomplish that (with the help of the June 14, 1992 bill), by commercializing that enterprise, with the state's keeping at least 51 percent of shares. As I see it now, LOT's privatization is inevitable. It should stimulate the improvement of the company's management. In order to attract a strong foreign airline, some of LOT's shares will be made available to foreign partners. Without financial ties with an economically stronger partner, LOT has a slim chance to match the competition, given the growing liberalization of international airline markets and the concentration of the aircraft industry. One has to face the truth and not be afraid of decisive action.

Impact of GATT on Relations With EC Analyzed

92EP0573A Warsaw RYNKI ZAGRANICZNE in Polish
No 79, 2 Jul 92 p 3

[Article by Tadeusz Zielinski: "Association of Poland With the EC and GATT"]

[Text] Negotiations on the European Treaty providing for the association of Poland with the EC could not but be related to another negotiating process that is currently underway within the framework of the Uruguay Round. This is why the European Treaty makes references in as many seven instances to the rules and provisions of the GATT [General Agreement on Tariffs and Trade] which are of great significance, in terms of both substance and form, for the entire sphere of benefits and adjustments resulting from the association. These instances are as follows:

1. In Article 7, point 1, a remark is found which refers to the gradual introduction of a free trade zone by Poland and the EC "in keeping with the provisions of the General Agreement on Tariffs and Trade." This is a quite weighty provision because the GATT, in Article XXV, among others, allows for the creation of free trade zones only on the condition that arrangements related to trade clearly prevail over others.

We may expect that a soon-to-come advisory review which the GATT plans to administer with regard to the European Treaty signed with Poland will confirm that this condition has been met. After all, the mutual liberalization of trade transactions is the key issue which has been expressed in the treaty in a most spectacular way. This is an area in which Poland has already taken many steps recently by virtually eliminating nontariff restrictions and reducing customs tariffs to a modest level.

2. In Point 4 of the same article, we find a particularly important provision which suggests that, if reductions of customs tariffs are agreed upon within the framework of the Uruguay Round of the GATT, they will replace basic rates in the European Treaty. This means that the rates of customs duties imposed on our goods in the EC could be even lower than what the treaty provides for. This may be of some significance to us with regard to some commodity groups which enjoy higher protection through duties in the Communities. However, given protracted negotiations within the framework of the round, it is hard to say whether this will happen sooner than provided by the schedule accepted in the European Treaty.

A similar question may be asked concerning our customs concessions. The European Treaty binds us to entirely abolish customs duties on the day the treaty takes effect with regard to about 1,200 commodity items which account for about 27 percent of our entire imports from the EC. Import duties on other goods are to be reduced in keeping with a schedule which begins to apply three years from the above date. If the round is completed quickly, the reductions could be greater, and could certainly come sooner. Our proposals on this issue have already been submitted and will be discussed, including within the framework of renegotiating terms for Polish membership in the GATT.

3. Article 29 provides an opportunity for each of the parties to the treaty to take "appropriate measures against dumping practices used by the other side," in keeping with GATT provisions. This is a dangerous clause, all the more so because it is reinforced by other regulations found in Articles 30 and 33 of the treaty. They even envisage the possibility of taking preventive measures immediately if a product is imported in amounts increased to the point of causing "considerable damage to domestic producers" (that may be due to actual or hidden dumping).

Poland has signed and ratified the so-called antidumping code of the GATT. Corresponding regulations in our

customs law have also been introduced. However, it cannot be ruled out that some producers in the EC member countries will want to resort to these clauses which already exist in two legislative formats. This poses the danger of the resurgence of protectionism. It is also a warning to our producers in situations in which they embark on competing with one another in terms of prices without attempting any coordination, for example, through economic chambers.

4. Article 58, point 2, which refers to regulations setting forth the freedom of the EC member countries to open enterprises in the territory of Poland and vice versa, and the provision of services in the territory of each of the parties to the European Treaty by these enterprises and natural persons, provides for an opportunity to modify these regulations in light of "the results of negotiations concerning services within the framework of the Uruguay Round of the GATT."

This provision is particularly important from the point of view of opening EC markets for establishing our enterprises and hiring Polish employees there. It also affects multilateral regulations which facilitate the presence of the foreign service sector in Poland, especially in the area of banking, insurance, and telecommunications.

This is a novelty in GATT negotiations. As is known, final arrangements have not yet been made because of both contradictory interests and the complex matter of concessions which cannot be compared to those in the sphere of goods.

Poland has set forth a package of proposals and expectations, suggesting in the process that it be granted the status of a "transitional country" [as published]. Various arrangements may be considered which primarily concern the elimination of barriers in the sphere of regulations. The successful completion of the round will make it possible to make the guidelines for liberalization in this sphere, which were presented as a general outline in the European Treaty, considerably more specific.

5. In Article 63, all actions restricting or distorting competition, including public assistance favoring certain enterprises or the manufacturing of certain goods, are acknowledged to run counter to the implementation of the European Treaty. Precisely with regard to the latter issue, the article refers to provisions and procedures established in the General Agreement of the GATT. They may be used for three years after the European Treaty takes effect, until the association council makes appropriate decisions.

For now, this point has little relevance for Poland, in view of the almost complete cancellation of subsidies. In keeping with Point 4 of the same article, we are to be treated, for the purposes of all kinds of public assistance, as an area identical to the regions of the EC which, under Article 92 of the Treaty of Rome, are considered to be less developed.

Poland has not yet ratified the antisubsidy code because it is supposed to be revised and made more detailed precisely within the framework of the Uruguay Round, taking into account procedures for the collection of compensatory duties. However, this issue may require appropriate interpretations and explanations if subsidies are restored directly or indirectly (which, for example, the farm lobby is pressing for).

It is also worthwhile to note Point 8 of the article in question, pursuant to which metallurgical goods, semi-finished products, and fuels are exempt from the rigors of combating actions which distort competition. In addition, provisions of Article 63 work in reverse as well. An opportunity to appeal to the GATT rules right now amounts to an additional protective instrument, should the imports of products from the EC, which may increase on account of subsidization, considerably harm the interests of, for example, our agriculture.

6. Article 64 of the European Treaty provides for the possibility of a temporary introduction of measures restricting imports if considerable payment difficulties occur (by Poland or member states of the EC), in keeping with the terms of the General Agreement of the GATT. Given the marginal contribution of our exports to the imports of EC countries, the use of this regulation by the other side is less likely. In turn, it provides yet another guarantee for Poland, not only in the customs duties area, but also in the area of nontariff resources. This may be essential, for example, in the second part of the period of adjustment (after 1995), if higher imports from the EC cause a significant strain in our balance of payments.

7. It was established in Protocol No. 1 to the treaty that increased import quotas for Polish textiles used by the EC on the basis of the October 1991 agreement would continue to apply in 1992. Both their size in later years and the rates of customs duties, for which a reduction schedule had been developed, were made contingent on the results of the Uruguay Round of the GATT. Actually, concessions liberalizing trade in textiles in both directions after 1992, in their entirety, were tied to the round, with only the reservation that periods for introducing them in relations with the EC should be half as long as in the case of other members of the GATT.

It appears that in most cases, the connection between provisions of the European Treaty and GATT rules and procedures considerably broadens the range of protective means for safeguarding Poland against unfavorable consequences which the association may entail. Therefore, there are grounds for us to be interested in the promptest possible completion of the Uruguay Round, which has been underway for more than five years. This will make it possible for principles to finally congeal which will shape the future of multilateral economic relations. Relations between Poland, and the EC and the EFTA will remain a part of the latter.

Private Vendors on Press Distribution Market

92EP0591A Warsaw *POLITYKA* in Polish
No 30, 25 Jul 92 p 7

[Article by Barbara W. Olszewska: "The Private Press"]

[Text] In Poland more than 2,000 newspaper and periodical titles are being published. Their distribution is handled by, in addition to Ruch [the state monopoly], private companies termed "alternative" and complementing the activities of the state monopoly.

Throughout this country some 40 companies of this kind are operating, and nearly 20 more are in the organizing stage. Their proprietors are usually young people with an engineering education. A private press distribution company employs a regular staff of from four to 50, plus those working on a commission basis, and it distributes from a dozen to more than 200 titles. Most of these companies have names like Burpress, AKG, Jamaray, MBW, or MAG, which are acronyms of the names of their proprietors. But some other names are more imaginative, such as Arbat, which in Hindi means excellent, Mu!, which is supposed to symbolize vitality, or Asysta, which was originally to be named Enema (fortunately, its owners discovered just in time about the meaning of that word in a dictionary of foreign terms).

The largest of the private press-distributing companies nationally is Kolporter, owned by Krzysztof Klicki (30 years old, a physicist) and Włodzimierz Owczarek (33 years old, a mechanical engineer). Its head office is in Kielce and it operates branches not only in the southern and western voivodship but also in the Gdańsk-Gdynia-Sopot Tricity and in Warsaw. It is two years old and it services about 2,500 sales outlets (of which more than 1,000 are in Katowice and 500 in Warsaw). Ninety percent of these outlets consist of stores in which newspapers and periodicals are displayed on special stands manufactured by a Kolporter-owned plant. The company does not shy either from so-called flying distribution: each day 120 Zuks depart on a like number of routes, distributing 166 titles of national newspapers, and a dozen or so local newspapers (including 30,000 to 40,000 copies of PRZYJACIOLKA [a women's periodical]). The company, which is computerized, employs some 200 persons whose monthly earnings range from 1.5 to five million zlotys [Z] each. The monthly sales volume of Kolporter is about Z7 billion zlotys. The company's best territory is Silesia, where it distributes 10 percent of all newspapers. Krzysztof Klicki even said that, were Ruch suddenly to cease operating there, the newspapers would not disappear from the newsstands because the Kolporter company would immediately fill the void. At the same time he defines his company as not a competitor of Ruch but a stimulus for spurring Ruch.

The second largest private press distributor is the Łódź Burpress, which distributes 192 titles to about 500 sales outlets (of which stores account for only 20 percent, the remainder being private kiosks and so-called street vending, on trestle tables, in Łódź, Piotrkow, Sieradz,

and environs. It employs 50 persons and a manager, Marek Burski (36 years old, for the last 15 years a PKS [State Automobile Transportation] bus driver). He stated he had a daring plan to create a large enterprise serving as middleman between publishers and press distributors, while providing both with favorable operating conditions. He is of the opinion that, should two such enterprises operate in Poland, they would effectively smash the traditional monopoly held by Ruch. Also active in Lodz is Landpress, whose proprietor, Zdzislaw Szymczak (44 years old, mechanical engineer) considers himself the pioneer of private press distribution in that area. "We started out as early as with the fourth issue of NIE and the seventh issue of SKANDALI," he said. His company distributes about 80 titles, of which half go to kiosks and the remainder to stores. It also sells newspapers and periodicals through street vendors on trestle tables as well as at train stations.

The third sizable private press distributor is GONIEC PODLASKI, which serves the Bialystok, Suwalski, and Lomza voivodships. It offers more than 120 titles at 320 sales outlets. Its head, Krzysztof Hadrys (34 years old, M.S. in Mechanical Engineering) stated that he provides a complete range of daily and periodical press only to Bialystok, while distributing outside it chiefly the Friday-Saturday editions of dailies and the *kolorowka* [Sunday magazine]. On weekdays there is not much buyer interest in "ordinary" press in those areas.

In Warsaw and its environs, in the western area, 200 kiosks are supplied by Jard, which provides them with as many titles, of which 25 percent are serious weeklies such as WPROST, TYGODNIK POWSZECHNY, SPOTKANIA, GAZETA BANKOWA, FORUM, and POLITYKA. Its head, Jacek Machnacz (34 years old, a restaurant equipment technician and an amateur student of organization and management) said that every sixth newspaper sold in Warsaw and environs is distributed by his company. He is planning to expand its reach to "white spots" on the map of press deliveries (among other places, Nowy Dwor Mazowiecki and Legionowo) and to open in Warsaw a store offering all the newspaper titles, including issues no longer current. Customers could also order there press clippings of interest to them.

Other large distributors are the Warsaw Camelot of Jan Krzywosz (53 years old, SGGW [Main School of Agricultural Management] graduate), who pioneered the distribution of the press to stores in Warsaw. Currently Camelot supplies 125 titles (of which 14 are dailies).

The Warsaw suburbs of Ursynow and Natolin are served by Asysta, which actually is an engineering company (it also sells computers, automotive scales, etc.), with press distribution as a side operation. One of its heads, Maciej Jurkowski (35 years old, SGGW lecturer) had first won his spurs as a press distributor two years ago by delivering GAZETA WYBORCZA "under the doormats" at the Ursynow Housing Project. Asysta supplies 60 titles, of which nine are dailies, to 30 regular sales outlets. It has concluded an agreement with the Mysl Foundation,

which is opening a network of specially built newsstands designed for handicapped vendors.

In Krakow there is the well-known Intertio-Krak-Press, directed by Janusz Lisowski. Its 12 employees service more than 200 sales outlets, also outside Krakow, providing them with 150 titles. According to the company's storeroom director, Miroslaw Poplawski, its life is no rose garden; it sometimes happens that, for example, the Krakow DZIENNIK POLSKI and ECHO are delivered to...Gdansk instead of KRAK-PRESS.

In Wroclaw there is the Silesia-Press of Zbigniew Stolarek (29 years old, tried to major in cultural arts and Polish linguistics), which also operates outside Wroclaw in the direction of Katowice and environs, where the press is delivered to, among other places, bookstores. The company head said that "Our starting premise is that it is better to distribute well a few titles. We 'rely' chiefly on three: TWOJ STYL (Silesia-Press is its principal distributor nationwide), BURDA, and PORADNIK DOMOWY."

In Poznan there is the well-known Univers of Jan Dudak, along with a newly established distributor, PIK. In Szczecin there are Boguslaw Pasierbski's Arico and Jerzy Synowiec's Bach.

In Tricity the best known distributors are Kazimierz, MP, Bonex, and, more recently, Prasonix and Mag, with the last-named specializing chiefly in sales of POP CORN and DZIEWCZYNA. It is worth noting that the exclusive right to distribute both these tiles (as well as the monthlies AUTO INTERNATIONAL, ELA, and SCHICK UND STRICH in Poland belongs to the Wroclaw Kolpex and Boleslaw-based AMPA, which concluded an agreement with the Phoenix Company and divided Poland into the two zones of "influence." Any other private press distributors have to get their copies of these periodicals from them alone. Similarly, the Lodz Burpress has gained the sole right to distribute VIDEO-FANA nationwide.

What is the future of private press distribution? The companies which by now have jelled and gained a certain market standing, have of a certainty a chance for further growth. The others, owing to shortages of funds, and sometimes also of imagination, are not doing well. This happened to Warsaw's Galia, which switched from press distribution to selling clothing. On the whole, the life of press distributors is not easy. Most of those I spoke with complained that they lacked certain privileges reserved for Ruch: Unlike Ruch, in the case of certain titles they get no refunds at all, or only limited refunds, for unsold copies. They say, "Sometimes Ruch trucks block access to the printing plants for picking up the press, and in certain cities, such as Lodz, according to the head of Landpress, a recommendation was issued against providing press copies to private press distributors ahead of Ruch, or even simultaneously with Ruch (this concerns, for example, RZECZPOSPOLITA and DETEKTYW)."'

The defense of common interests is complicated by the lack of unity among private press distributors; only some companies cooperate, while others compete sharply for markets or turf. This is demonstrated by the protracted affair of the Association of Private Press Distributors, established last fall, which counts 20 members and is currently looking for a director. So far it has not spread its wings, and some people attribute this to the passivity of its organizers themselves.

For the time being Ruch does not consider private press distributors as serious competitors, and estimates them to account for only five to seven percent of the total volume of press distribution, chiefly at major urban centers. The provinces remain the least-serviced domain of private press distributors, although it might seem that it is precisely there that these distributors have an opportunity to fill the voids left by Ruch. However, as the private press distributors themselves point out, it just does not pay to operate in the provinces, owing to the limited demand for the press there, especially in the countryside. For similar, mercantile reasons, they are selective about the titles to be distributed. They do not avoid the dailies (they take nearly all, with the exception of POLSKA ZBROJNA), but, as I was told at Maius Company, a middleman company between publishers and private press distributors, the demand in the provinces for the so-called ambitious titles designed for smaller readerships is only one-tenth of the demand for the regular titles. On the other hand, they like to sell popular women's periodicals. For example, as much as six to 10 percent of each edition of PRZYJACIOLKA is distributed to the kiosks by private distributors. Even more popular are sensational and gossip periodicals (NIE, SKANDALE, DETEKTYW), as well as those designed for automotive enthusiasts, music ensembles, videocassettes, etc., that is, the trade "beeline" [*latwizna*] that in press distributors' lingo is called "Sopot beef" (at many companies this accounts for more than 80 percent of all titles sold). "We gotta live," the private press distributors explain.

Newsstand vendors are pleased with press distributors, chiefly because they can decide together on how many issues of newspapers and periodicals they can accept for sale. Representatives of Ruch speak well of some of the press distributors but grumble about others whom they call "wild" or "piratical," because they deliver to newsstands unsold copies which Ruch has to buy back. In their turn, private press distributors accuse Ruch of exercising a monopoly and wanting to destroy them by dictating difficult terms for cooperation.

Military Industry To Adjust to World Needs

92EP0607A Warsaw POLSKA ZBROJNA in Polish
4 Aug 92 p 3

[Article by Lieutenant Colonel Pawel Nowak: "Military Equipment"]

[Text] Basically, there is no need to debate the issue of Poland's need to have her own military industry. The fact that such debates are taking place, debates in which that need is questioned, only indicates the poor state of

our society's civic consciousness. Poland is not a neutral country. It has and will continue to have its armed forces (in a different, perhaps, shape), which have to be supplied, in the cheapest possible way, with equipment that would measure up to world standards.

On the other hand, one should not be surprised if people associate the arms industry only with wasteful military expenditures. Still, it is only a small part of our domestic industry, its participation in actual military production varying from one to approximately 90 percent.

Attempts to convert the arms industry, undertaken two years ago, have not born practically any fruit. The trick is that the conversion from military to civilian production requires the resolution of many problems, mostly those pertaining to the reorganization of research, development and production, as well as the retraining of workers so that they could turn out nonmilitary output. It also requires that markets, including foreign, be researched and entered into. The process of convergence of the arms factories is a complex and lengthy endeavor, which needs huge financial resources—the enterprises have to be modernized, and the most advanced technologies must be obtained and implemented.

If no financial resources are available for this purpose, and, on top of that, the enterprises fulfill their production programs only in a minimal way (if at all), which does not guarantee their survival, then their problems can be solved only through the liquidation of factories themselves. This is what is happening in many state enterprises these days, all that despite the fact that the situation in Poland, especially in the field of national health and education, not to mention the all-important society's standard of living, will not improve without a functioning economy.

One has to openly admit that neither our industry nor the research and development infrastructure have been able to keep up with the pace of the technological race (including the arms race), enforced by Western countries and crucial for the development of practically all areas of industrial production.

The Polish arms industry's production potential has been excessive as far as the needs of the national armed forced were concerned, having been designed to fulfill export needs. Until recently, Poland has been an active (although not a major) arms exporter to the Warsaw Pact countries and to many other nations, sometimes quite exotic. Political changes in east central Europe have contributed to a situation in our industry which had been difficult to foresee. This indicates a peculiar role which the arms industry plays in the state's policy. The future of that industry (its growth or collapse) depends on the political ambitions of our state—whether it has an ambition to play a certain role on the international arena or

not. But this alone should not decide the future of the arms industry. The fact that the state has its national armed forces requires that the enterprises that manufacture military equipment be preserved to a certain extent. Because our state cannot give up the army for many reasons, it is only logical to retain the manufacturers of basic weaponry and combat supplies, thus making us independent of the foreign suppliers.

The problem of the armed forces being dependent on deliveries of foreign equipment is crucial. We have considerable experience in that regard because for decades we have been dependent on the intellectual output of scientists and engineers of the former Soviet Union. The military equipment of our armed forces is mostly of the Soviet origin. Only a limited number of domestic designs has been put into production, given the fact that we have relied on our own designs and technology only in the fields of radiolocation, communications systems, electronics, ships, and engineer and antichemical equipment.

A common view nowadays is that Poland should not be dependent on one foreign arms supplier. This is correct if we tackle this problem from the point of view of the armed forces as a whole. However, it looks differently with regard to particular types of armament, that is aircraft, tanks, personnel carriers and/or antiaircraft weapons. The armed forces ought to have the smallest amount of brands of arms within each category of weapons. This is not always feasible, given the high degree of specialization of the military equipment. It would be the best if particular categories of equipment were provided by single suppliers (manufacturers). This would subsequently limit the assortment of the necessary combat means and supplies in storage. This would also ease the supplying of the troops, as well as the maintenance and repairs of the military equipment in war and peace, thus saving the state some extra expenses.

For these reasons, among others, NATO strives to unify and standardize its military equipment. Still, despite some successes in that regard, particular states' attempt to protect their domestic arms production and markets because they want their national armed forces to be supplied by domestic manufacturers. Nowadays, more and more common is cooperation in research, development and production, especially in work on the new generation of military equipment. This is determined by the high costs of arms development and production.

Thus, if our domestic arms industry is to manufacture world class military equipment, it has to join the international cooperation in research, development and production. However, it is not simple if one has neither proper financial resources nor scientific accomplishments. Still, before that happens, the government should give an appropriate status to the arms industry and the research and development infrastructure, in accordance with the foreign policy it pursues. This should not be decided by chance.

Composition of National Investment Fund Described

92EP0597B Warsaw ZYCIE GOSPODARCZE
in Polish No 30, 26 Jul 92 p 9

[Interview with Jerzy Thieme, minister plenipotentiary of privatization for the general privatization program, by Grazyna Garlinska; place and date not given: "Let Us Do Something!"]

[Text] [ZYCIE GOSPODARCZE] They are saying that the program of comprehensive privatization, which held out so much promise, unfortunately has ground to a halt....

[Thieme] I would say that Poland has ground to a halt, and together with it, this had to happen to the comprehensive privatization program.

[ZYCIE GOSPODARCZE] However, was it not possible to speed up work on the program a little? It came so close to the beginning of its implementation.

[Thieme] Indeed...the privatization of state enterprises was supposed to be the first item at the meeting of the Council of Ministers on 9 June of this year which, unfortunately, was not held. As is known, the government had ceased to exist five days earlier.

[ZYCIE GOSPODARCZE] Many enterprises taking part in this program no longer believe that it will ever be implemented.

[Thieme] There is no reason to be all that pessimistic. Undoubtedly, enterprises to which a lot has been promised have been paralyzed in a sense because neither capital nor the announced reforms are there. It is just that no thought is being given to them in the course of political strife which is happening.

However, I believe that a program will soon become realistic because the political situation is beginning to stabilize. It will be all the more realistic because, unlike other programs "in circulation," it is literally signed, sealed, and delivered. This is not surprising. It was prepared by specialists who spent hundreds of hours revising and refining an entire set of documents, literally down to minute details. I would say that the privatization of state enterprises is a piece of legal artistry.

[ZYCIE GOSPODARCZE] Besides, as you are fond of repeating, its scale is unique.

[Thieme] This is true. It is unique because, first, it covers 400 large enterprises; second, owing to this program, 27 million adult citizens will become shareholders.

[ZYCIE GOSPODARCZE] The institution of NFI [National Investment Funds] is giving rise to a lot of controversy in scientific circles, rather than among enterprises which are counting on an influx of capital and professional help from foreign companies. For example, there is the apprehension that companies managing the NFI will devote more time to playing games

with the state and the ministries than to actually attending to enterprises. Is this really a danger?

[Thieme] It is, but not from management companies. I rather see this danger in the behaviors of the "top," in sectoral ministries. In all of this, it is important for the state treasury, which owns a pool of shares, to be rather passive, and to declare that it will intervene in NFI affairs only for important economic considerations, giving businessmen a lot of freedom. The objective is to not create an impression that may lead everyone to think that most things depend on the ministries representing the state treasury and, as a result, swarm around them.

[ZYCIE GOSPODARCZE] Unfortunately, this appears unavoidable to me. What will the relations be between the NFI and companies which belong to them?

[Thieme] First of all, these will be ownership relations, meaning that the funds will have 33 percent controlling shares in the companies. By virtue of that, the funds will exercise their rights, that is, make decisions on, for example, the distribution of profits and investment, sit on boards of trustees, and so on. It should be noted that an NFI is an intermediate owner; the citizen is the final owner.

[ZYCIE GOSPODARCZE] Some people believe that the management of companies belonging to the NFI will be poor because foreign management companies will not relate to the problems of Polish enterprises.

[Thieme] This is a misunderstanding. There will not be a single foreign company which will do it alone. There will be consortia of Polish and foreign companies. Let us not even have illusions that a foreigner would be able to serve on the council of trustees of a Polish company. For our part, our idea is that the NFI will have their Polish representatives on the boards of trustees of companies, and will receive information about the companies through them. On this basis, among other things, the NFI will develop expert studies on management, marketing, data systems, and so on, which should be implemented in a given company in order to improve the effectiveness of its operations.

[ZYCIE GOSPODARCZE] Who will the boards of trustees of the National Investment Funds consist of?

[Thieme] We would like the best professionals to serve on them, people who understand the economy, whose public and professional credentials are impeccable....

[ZYCIE GOSPODARCZE] Such people will be hard to find....

[Thieme] Certainly. However, we have been looking for such people for a couple of months now. We have managed to create a database which includes 350 names of people from various socioprofessional organizations, association of accountants, lawyers, confederations of employers, banks, universities, and other institutions. This number exceeds our needs by a factor of two to three. However, our objective was for a special selection

committee, whose composition we will soon propose, to have a pool from which to select.

[ZYCIE GOSPODARCZE] What is the scope of liability and safeguards envisaged for the event of losses generated in companies reporting to the NFI as a result of the operation of foreign management companies?

[Thieme] I believe primarily in financial safeguards, and they will be used in this case. Managers will be paid in stock, the only difference being that they will receive the zloty equivalent of it. They will not be able to vote on the basis of these shares, sell them, and so on. Benefits derived from them will be of a strictly financial nature, and will not be associated with controlling powers with regard to companies.

The economic mechanism used is simple: Stock value growth will cause an increase in the remuneration of the people managing a given company. Therefore, the managers should be interested in improving the economic performance of companies and in implementing effective restructuring programs.

There is also the so-called good name of a merchant. Foreign companies to which we are talking frequently date back more than 100 years and enjoy an excellent reputation in the international market. I do not think that they would want to ruin their reputation by neglecting tasks assigned to them in the program of comprehensive privatization.

The future will show whether I was mistaken. I do not maintain that this program will work miracles. However, I maintain that there is no chance to mess anything up. This is to say that this is a low-risk program.

[ZYCIE GOSPODARCZE] Thank you for the interview.

Bank Privatization, Restructuring Process Viewed

92EP0576A Warsaw GAZETA BANKOWA in Polish
No 28, 12-18 Jul 92 p 6

[Interview with Michal Machlejda, deputy chairman of the Food Industry Bank, by Alicja Kolodko; place and date not given: "Still, We Shall Stay"]

[Text] [Kolodko] Mr. Chairman, how far along are the present preparations for restructuring the privatization of banks?

[Machlejda] We—I speak in the name of the bank—are already prepared. We asked the cooperative banks that had signed agreements to collaborate with us to state their option: Do they want to stay in the transformed Food Industry Bank [BGZ] or not? Of 1,576 banks, 1,336 replied in the affirmative. On the other hand, it still is not clear to us whether the next owner, i.e., the government, has finally stated its preferences and priorities. We see no circumstances that might suggest that the restructuring and privatization process should be halted.

[Kolodko] Can you briefly describe how you perceive this process?

[Machlejda] We are suggesting that this be a two-phase process. The first phase consists of transforming BGZ into a stock company. Then, using the bank's assets as a base, regional banks would be established. We also propose that the regional banks be connected, in terms of capital, to the national bank. In this way a kind of holding company would arise, in which a large part of the cooperative banks would be concentrated.

[Kolodko] What, in your opinion, is the case for accepting this solution?

[Machlejda] This concept is the result of a specific compromise. On one side are the cooperative banks, on the other BGZ. Some of the cooperative banks have expressed a desire to establish, from the bottom, a network of regional banks. We, on the other hand, believe that the possibilities of establishing such institutions based exclusively on the capital of cooperative banks—GBW and BUG [expansions unknown], are examples of us—are exhausted. Due to the increase in the size of a bank's own capital to 70 billion zlotys [Z], the cooperative banks will not be able to afford to establish a whole regional network out of their own funds only. The National Bank of Poland [NBPI] is proposing that this sum be reduced to Z35 billion for regional structures, but it does not seem to me that this will have any great influence. We must remember that in addition to capital, the banks would have to bear huge costs just for preparing the infrastructure in the regions. Renting a room and a telephone is not enough with which to begin operations. Knowing this, we suggested to the cooperative banks that we establish the regions jointly, using the assets of our branches for this purpose.

[Kolodko] It seems to me that this is a very reasonable solution, but I still do not see any real need to create a central organization.

[Machlejda] I know that some people would like to establish a regional network on the ruins of BGZ. That is impossible. Please remember that BGZ is a powerful bank. Breaking it up into 11 regions completely independent of one another would destabilize the entire system of financing agriculture. We also service large enterprises. Giving credit to them will continue to be possible if the present capital of the entire BGZ is used, or even increased. This is due to the standard which determines the factor of credit concentration. Naturally, I do not know what the owners of the bank will ultimately decide, but certainly this element will be taken into account.

This is one argument in favor of creating a holding company. The second argument stems from the processes which have been taking place in banking throughout the world for many years. I am referring to the concentration of capital. In this situation the division of BGZ capital, of which there is not all that much anyway (all one needs to do is look at the ranking of GAZETA BANKOWA), is not justified. We believe,

therefore, that there is no need or urgency to break up a bank so that 11 banks, not dependent on capital, can function. Hence we propose the holding version.

But at this point I would like to bring up another subject, because it seems to me that in the fervor of discussion it slips away. That is a reply to the question why cooperative banks should create regional structures.

[Kolodko] Is this answer not in the banking law where it speaks about increasing the capital?

[Machlejda] Yes, but the cooperative banks have an alternative. First, they can try to increase their own capital to the required 70 billion zlotys. Except that it is difficult to believe that this would apply to cooperative banks. Generally these are small institutions—their own capital ranges between 1 and 4 billion. We made an analysis recently of the capital potential of banks which work with us and it shows unequivocally that a large part of them could grant credit permitting, at most, for the purchase of a tractor. We interpret the provisions in the banking law as the beginning of a process that will make the requirements that the banks must meet even more stringent. It is hard for them to meet them now, and will be even harder in the future.

The solution is to organize into a larger structure, enabling it to function on the basis of a consolidated balance sheet. Then, even banks which now can be given credit only for the purchase of a tractor will be able to enter into more important financial operations than their individual capital would indicate. But this matter has another side. Regional banks must assume part of the responsibility for the assets of such a small bank, which in practice means—and let us not delude ourselves—some loss of their independence. We have French and German examples. We know that this is inevitable.

Furthermore, the small banks expect specific services, including bank servicing. I will not mention such services as supplying the smaller banks with cash and accounting. The banks have a right to expect this from a partner, and this, too, is an argument in favor of combining into regional structures.

[Kolodko] I do not believe that many cooperative banks questioned the need to combine into regional structures. However, many more banks have doubts as to whether this structure should be based on BGZ.

[Machlejda] Again I must say that the idea of building regional structures based only the cooperative bank's own funds, even with foreign assistance, is unrealistic. We are offering those banks which, together with us, want to build a new structure based on existing assets, much greater financial potential, help in modernizing their infrastructure, and benefits flowing from the fact that BGZ is a well-known bank, with broad contacts with banks throughout the world. The banks have understood this, as proven by the fact that over 80 percent of them are accepting our proposal.

[Kolodko] Regardless of the choice they make, or, as you said, they have already made, they are still co-owners of BGZ. Will the proportions of capital be maintained after BGZ is transformed into a stock company?

[Machlejda] Some preliminary decisions have already been made pertaining to the valorization of shares. A share now costing a nominal Ztwo million will cost approximately Z57 million. We hope that the Ministry of Finance will ultimately agree to the valorization we proposed. The proportions between the capital of the banks and the state treasury will remain, i.e., 46 percent and 54 percent, respectively.

[Kolodko] The cooperative banks that do not work together with BGZ maintain that your bank has not settled its accounts from the period when it performed the function of a central union for them. They are demanding a comprehensive audit to determine what BGZ actually owns.

[Machlejda] I see nothing standing in the way of this being done. It is not the fault of BGZ that a liquidator was not delegated to check the books. On my part I can only explain that it is a case primarily of the development fund. This fund amassed money which was used to grant investment loans for the development of banks. Now BGZ is concerned mainly with vindicating them. At the end of December last year there were Z1.9 billion in this fund's account. This money is earning interest at the credit refinancing rate. But insofar as an audit is concerned, our books are audited each year and this is done by an independent western firm.

[Kolodko] When we talked a few months ago on similar subjects, I got the impression that the vision of BGZ without cooperative banks is not very likely. From the information that you have now given, it appears that the proposal of staying together has been accepted by the majority of the cooperative banks. Did something actually change?

[Machlejda] The financial situation of the banks changed. The figures for 1990 were very good. It seems to the banks that they will be able to function independently and that they do not need a big patron. Last year verified this optimism somewhat, and this year—the banks already see this—will clearly prove that only a few banks will be able to be completely independent. In any case, this does not apply only to banks. The World Bank, which did not look at us favorably before, now—I believe this based on our recent contacts—feels justified in talking with BGZ about the restructuring proposals we put forth.

Current Finance Statistics, Policies Presented

92EP0609B Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 25-26 Jul 92 p I

[Article by Paweł Jabłonski: "Too Few Loans for Economy"]

[Text] The Polish National Bank [NBP] has recently changed its information policy, having regularly staged

the press conferences to address various topics. One such conference, devoted to the issue of the monetary policy implementation, took place Friday [24 July]. The tenets of this policy, worked out by NBP and accepted by Sejm, had assumed that the money supply would increase by 127 billion zlotys [Z] this year. It is a figure that determines how much money will actually flow into the economy. If it were too high, it could bring back inflation. If it were too low, there would not be enough means necessary to develop the economy. The size of the money supply is influenced the most by the level of the foreign currency reserves, the increase of the loan granting, and the growth of the government sector's debt.

The monetary policy has been implemented according to the plans in the first half of this year. The money supply has increased by Z62 billion in that period, that is by approximately half (48.8 percent) of the planned amount. However, the structure of that increase is a little different than planned.

The planned increase of the money supply has been possible due the unexpected rise of the net value of the foreign currency reserves. It had been planned that they would amount to \$7,171.1 million—that is, they would grow by \$666 million. Meanwhile, the very good results of Poland's foreign trade in the first half of the year have increased those reserves by \$900 million.

The growth of the economy's debt has been much lower than expected. It was anticipated that the debt would grow by Z80 billion. Taking inflation into account, this would amount to a relatively small increase of the real debt by 3.6 percent. However, that debt has increased only by Z26 billion in the first half of the year. If one takes the inflation (22.2 percent) into account, this means that the real value of the nongovernment sector's debt (that is, of the whole economy) has decreased by about seven percent. But this does not mean that the value of loans granted to enterprises has declined. In fact, it has stayed at the same level, more or less. On the other hand, the banks have managed to speed up the collection of their old debts.

The slower than anticipated increase of the economy's debt has been caused by several reasons. First of all, the banks have become much more cautious when making loans. Given the state of our economy (4,300 enterprises are not eligible for loans), this has made it difficult for the banks to find trustworthy loan takers. In addition, the fact that the budget was adopted late made the banks suspend investment loans until they would be sure that the budget would refinance those loans. Besides, the part of deficit related to the credit for the purchase of agricultural products has decreased as well.

The banks are more and more willing to make loans to the state, mostly by buying the Treasury bonds. In total, the state's indebtedness towards the banks has increased by Z29 billion in the period under discussion, compared

with Z51.3 billion anticipated for the whole year. It is an effect of so-called superseding—the state, searching for resources, borrows money from the banks on such good terms that the banks limit loans granted to individual enterprises. According to Jerzy Stopryra, director of the credit and monetary policy department, if the state budget were not in such a dire situation, the loans for the rest of the economy could be a little bit higher.

The budget deficit has grown rapidly during the first days of July. At this moment, the budget deficit is about Z29.5 trillion, which is 45 percent of the anticipated amount. However, the fact that the deficit is smaller than anticipated has resulted from the fact that the budget bill was adopted only in May.

The NBP's conversion of the budget deficit from the period 1982-91 (approximately Z24 trillion), announced in the "Tenets of the Monetary Policy," will be regulated only in the next year's budget legislation.

It was recalled during the press conference that this year's anticipated inflation would be approximately 37-38 percent. In contrast, the Finance Institute expects, in its "Report on the State's Financial Situation in 1992," inflation to reach the level of approximately 48 percent this year.

Customs Law Changes To Aid Importers, Exporters

*92EP0581C Warsaw RYNKI ZAGRANICZNE
in Polish No 83, 11 Jul 92 p 1*

[Article by Miroslaw Zielinski, chairman of the Main Customs Office: "Next Year: Periodic Customs Clearances"]

[Text] First of all, I want to reassure everybody. The amendments being drafted, which will take effect no later than the beginning of 1993, are intended to make life easier for exporters and importers. We do not intend to tighten any "loopholes," because that has already been accomplished institutionally. Now that, at last, we know the real value of our foreign trade, we want finally to assure a smooth flow of trade.

In our draft of amendments to the Customs Law we propose, among other things, introducing the institution of periodic customs clearance, which will also entail periodic settlements of customs duties. Large well-known enterprises, private companies, would be allowed to pay duties just once a month after documents for all purchases over the month are collected. But that will be a discretionary right, meaning that it will be granted only to honest businesses.

One of the institutional changes we are drafting concerns bonded warehouses. They will be divided into public and private ones. The former can be used by any enterprise or organization, while the private ones will serve to process and store the products of manufacturers.

We also envisage the need to complement the powers of the Main Customs Inspectorate; it not only should have complete financial autonomy, that being certain, but its personnel must, in view of the nature of their duties, be authorized to use weapons. Of course, if the need arises.

As we recall, the present law dates from 1989 and in some respect is perfect. Most of the amendments we are proposing concern technical details of the legislation. This is of less interest to exporters or importers, but still the present Customs Law must be thoroughly clear, and its provisions explicit and transparent.

Assuring a smooth flow of foreign trade is at present a priority for us. We are not forgetting the smugglers, and that is the purpose of the GIC [Main Customs Inspectorate], which has already been popularly nicknamed the "Customs Cops," and of the increasingly modern equipment used in customs inspections. The changes to be brought about by the amended law will be no surprise to anyone, because a provision has been made for a grace period prior to their application.

Bills To Restore Tobacco, Alcohol Monopolies

*92EP0563C Warsaw RZECZPOSPOLITA
(ECONOMY AND LAW supplement) in Polish
7 Jul 92 p III*

[Article by K.J.: "Alcohol and Tobacco: Will Monopolies Return?"]

[Text] A bill on a tobacco monopoly is already in its first reading in the Sejm; another, on an alcohol monopoly, is still waiting to be introduced (there was no quorum during the first reading). Both bills came up on the motions of deputies.

The state tobacco monopoly is based on the premise that licenses would be issued for processing tobacco, cigarette production, wholesale sales of tobacco and tobacco products, and their transport from abroad. The "Tobacco Monopoly," a partnership of the state treasury appointed by the Ministry of Finance and Ministry of Agriculture, would have the exclusive right to issue licenses. The bill's authors propose that besides issuing licenses, the "Tobacco Monopoly" would establish a base for the cultivation of tobacco in Poland, define the demand for raw materials and limits on imports of refined tobacco and finished products, issue excise seals, commission quality control of domestic and imported tobacco products and itself control the use of licenses. In addition, the monopoly would "ensure profitability" and, as we read in the bill, analyze demand for and establish the level of cigarette production. A fixed trade margin of 20 percent would apply to the sale of all tobacco products; half would go to the "Tobacco Monopoly" account, four percent to entities conducting wholesale distribution and six percent to retail sellers.

The deputies have also come out with a proposal to change current turnover tax on tobacco products to a tax on units of processed tobacco (for example, one kilogram).

During the first reading in the Sejm, PSL [Polish Peasant Party] and KPN [Confederation for an Independent Poland] deputies declared in favor of the bill, SLD [Liberal Democratic Party], UD [Democratic Union], and KLD [Liberal-Democratic Congress] representatives against.

The second bill proposes the establishment of an alcohol monopoly by the State Treasury, represented by a partnership of the State Treasury and Polmos Holding SA. It would be established by one-person partnerships of the State Treasury that would arise out of state enterprises of the Polmos alcohol industry. Polmos Holding SA would have the exclusive right to purchase and sell alcohol in Poland, to purify and distill of alcohol, and to import alcohol and alcohol products containing more than 16 percent alcohol.

The production of unprocessed alcohol, of liquors and other products using alcohol, the export of alcohol and alcohol products, the wholesale distribution and denaturation of alcohol would be licensed, and the finance minister would issue the licenses. Permits to import alcohol and alcohol products and to initiate sales would be issued by Polmos.

The bill's authors propose that Polmos set demand for alcohol, define the scale of production for individual producers, and how many products can be designated for sale and how many can be imported. Each year Polmos would inform every distillery about the limits assigned to it. The distiller would have to provide this quantity to Polmos's validated plant at the official purchase price, set by the ministry of finance.

Polmos would also rule on applications for the issuance of licenses, supervise their use, and oversee the quality of domestic and imported alcohol and alcohol products. It would also have the exclusive right to purchase alcohol "for whatever reasons, applicable and subject to compulsory sale in Poland" (under conditions and at prices set by the Ministry of Finance).

It shall be the responsibility of both monopolies to affix excise seals on finished products designated for sale. The label would indicate the name of the product, its proof (in the case of alcohol products), registration number, and the firm and its headquarters.

New Rules for Bonded Warehouses Enumerated 92EP0581B Warsaw RYNKI ZAGRANICZNE in Polish No 80, 4 Jul 92 p 7

[Article by G.K.: "New Main Customs Office Regulations: Bonded Warehouses"]

[Text] The chairman of the Main Customs Office [GUC] signed on 25 May a circular on the requirements for

depositing merchandise in bonded warehouses, performing its customs clearance, and releasing it from bonded warehouses. The circular takes effect with its publication.

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The new regulations contained in the circular, along with the amended Customs Law binding since 20 July 1991, will complete the process, initiated nearly a year ago, of establishing rules regulating the operations of bonded warehouses in Poland.

A Legacy of the Recent Past

The GUC admits that all the new regulations governing bonded warehouses have a single purpose: to monitor the operations of some 4,000 warehouses of this kind existing in Poland. That is because at present they often serve as wholesale or retail stores instead of attending to the storage, consignment, and packaging of merchandise.

Inspections conducted so far reveal that half of the existing bonded warehouses are not operating at all as businesses. They are chiefly the warehouses initially licensed in 1989 and 1990. An accurate verification of this "black list," as the GUC terms it, will initiate a difficult formal-legal process which ultimately should result in revoking many of the licenses issued.

This is no simple matter, because, under Article 4 of the Law of 20 July 1991, "Merchandise deposited in a bonded warehouse prior to the effective date of this Law may remain stored or kept there for the period of time specified in the current regulations." Consider that that period had been fixed at three years (compared with one year at present). Moreover, customs law does not provide for "suspending" the operations of the already existing bonded warehouses.

The new circular is to help chiefly those who are now establishing new warehouses or using their services as well as customs officials supervising warehouse operations. It is moreover intended to help combat dishonest warehouse proprietors. It is thus worthwhile to become familiar with the new, tightened regulations in the circular, which represents procedural instructions for everybody who is in some or other contact with these warehouses.

Who Says What?

The license for establishing a bonded warehouse is issued by the GUC chairman. But the warehouse can start operating only after the local customs office director accepts its application specifying how the records of the merchandise deposited there are to be kept. The application is filed by the warehouse manager, who must append the following documents to the application, upon first submitting an invoice or a copy thereof:

—A copy of the warehouse agreement, if the merchandise is owned by a third party.

- A copy of the warehouse agreement and the commission agreement, if the merchandise is to be deposited for storage and consignment.
- A copy of the warehouse agreement and the processing agreement if the merchandise is to be deposited for storage and packaging.

The last formality that has to be attended to in order to obtain a permit for depositing merchandise in the bonded warehouse is providing a security deposit. It is paid by the warehouse manager, and it cannot be lower than the combined value of the duty and the sales tax. The deposit can be made in the form of cash, treasury bonds, bearer savings bonds, notes secured or guaranteed by domestic banks or insurers, a bank guarantee or an insurer's guarantee, or a mortgage transfer.

The Merchandise in the Bonded Warehouse

The merchandise deposited in a bonded warehouse must meet the same requirements as those applying to any other merchandise destined for foreign trade (licenses, quotas, import restrictions, import prohibitions). Exceptions apply to certain kinds of merchandise, but these must be destined solely for exportation, and the warehouse manager provides accordingly a written pledge.

The merchandise already in the warehouse may be destined for sale in Polish territory or for exportation. Likewise, the title to this merchandise may be transferred (sale to another business).

Upon exportation following customs clearance, the exporter may apply for a refund of the duty paid on the merchandise deposited in the warehouse. But first he has to obtain a certification from the foreign importer to the effect that the duty on the merchandise has been levied and the merchandise itself has left Poland. Customs clearance is also required if we want to sell in Poland merchandise deposited in the bonded warehouse. Moreover, as regards imported merchandise, when the title thereto is transferred, the application for its customs

clearance must be accompanied by a copy of the sale-purchase agreement, concluded pursuant to the regulations of the civil law code.

The owner of the merchandise stored in a bonded warehouse is authorized to file an application for the transfer of that merchandise to another customs office with the object of its exportation, or for its deposition in another bonded warehouse or in a duty-free zone for further storage. The owner may also authorize a customs agency or the manager of the warehouse to file such an application.

An application for transfer of the deposited merchandise with the object of its exportation should be accompanied by a letter from the depositor authorizing the release of the merchandise. If the merchandise is to be transferred elsewhere in Poland or to a duty-free zone, the application should be accompanied by: a) the depositor's authorization for releasing the merchandise; and b) a copy of the deposition agreement concluded between the depositor and the warehouse manager or the manager of the duty-free zone to which the merchandise is to be shipped.

The shipper or forwarder is obligated to insure the merchandise and transport it to the customs office.

In the event that the period of storage expires the warehouse manager is obligated within 14 days from the expiration date to forward the merchandise abroad or report it for customs clearance. If this requirement is not met, the customs office initiates executive proceedings ex officio.

Tax Exemptions and the Customs Office

Exemptions from the sales tax (as defined in the executive order of the minister of finance on the duty rates on imported or consigned foreign merchandise and on exemptions from that tax) also apply to the merchandise deposited or stored in bonded warehouses and introduced in the remaining Polish customs territory.

New Wave of Mobilization of Hungarians Reported

*92BA1284B Novi Sad MAGYAR SZO in Hungarian
24 Jul 92 p 8*

[Article by Magdolna Miskolci: "Hungarians Are Taken as Soldiers; How Long Can the Democratic Union of Hungarians of Vojvodina Support the Conscientious Objectors? The Activities of the Horgos Organization Picked Up"]

[Excerpt] [Passage omitted]

New Wave of Mobilization

The fact that a new wave of an inexplicable mobilization is sweeping through the Northern Bacska [Backa] region, and that Dobrica Cosic's letter to Andras Agoston does not provide a convincing explanation, is being mentioned; on the other hand, the letter made it clear that the VMDK [Democratic Union of Hungarians in Vojvodina] leadership was entirely correct when it pointed out the excessively large-scale mobilization of Hungarians. The VMDK chairman authenticated the information by affixing his signature: 12 percent of the Hungarians were mobilized, while the Hungarian nationality constitutes only 3 percent of Serbia's population.

"How far can the VMDK go in supporting those who refuse to report for military duty?" Janos Dobos asked. "Since when have Hungarians been dying without knowing for whom and for what purpose they were dying? This is an extremely grandiose nation; it fights for everyone's rights. But why should we be the ones who seek justification for those who do not want to fall in a nonexistent war of a nonexistent nation's nonexistent army?"

Several persons present denied information received by the chairman, according to which persons mobilized had received their summons 30 days prior to the date on which they were supposed to report for duty. Summons generally call for immediate reporting, conference participants said, and they determined that in the given situation the VMDK can hardly do more than what it had tried to do thus far. As long as old Yugoslavia existed the VMDK voiced its view that accepting or rejecting mobilization was a matter of conscience. This position has changed upon the most recent establishment of Yugoslavia, to the effect that Hungarians from Vojvodina should not go fighting abroad.

Guests from Kanizsa [Stara Kanzija] and Szabadka [Subotica] stated that no forcible mobilization had taken place as of recently, no one had been taken from workplaces. The only thing the VMDK is able to do is to provide legal protection to those refusing the orders. All conditions, including help to be provided by outstanding professionals, exist for this purpose.

Psychological Pressure

One can feel tension among the people, even though there are no reports of forcible mobilization. By no coincidence did the people from Horgos ask the chairman of Torokkanizsa how they were able to survive the feeling of being threatened. It is a known fact that a hand grenade exploded not too long ago in Karoly Toth's family's courtyard.

"This did not happen just now, but it should not be forgotten. When we were awakened by the explosion we thought that our home had been broken into by a Romanian Tinka [as published] robber who was plundering the neighborhood. I realized that a hand grenade had exploded only after I saw the rising smoke. The police investigated intensively for the first two weeks, but found no trace of evidence. Nevertheless, a month later we found out the identity of the person who perpetrated this incident and why. Damages were not insignificant; nevertheless, the psychological pressure was far worse, and it continues to this date," Karoly Toth said.

Speaking of the psychological pressure presented by the specter of opening a front in the Vojvodina, Csaba Sepsey felt that only murder, not war, could occur here, because the Hungarians of the Vojvodina had no weapons. Despite the dark overtones, conference participants expressed confidence and curiously listened to Csaba Sepsey's report on his visit to the heir apparent to the throne. Sepsey, a provincial and federal representative, as well as chairman of the VMDK's Szabadka division, agreed to perform yet another function: He became a member of the political council of the Serb Crown Council. A kingdom might not be missing from here, but we would have a winning case if the heir apparent introduced the kind of democracy in which he was brought up, the participants agreed with the popular representative.

Subotica Posters Urge Preparation of Shelters

*92BA1284C Novi Sad MAGYAR SZO in Hungarian
26 Jul 92 p 6*

[Article by Gabriella Gombas: "Szabadka Weekdays; The Beginning of Rummaging Among Family Trees; Citizens Scared by Posters Calling For Bomb Shelter Cleanup"]

[Excerpt] Ominous posters have appeared in the stairways of Szabadka [Subotica] housing blocks calling on residents to clean up their bomb shelters and providing detailed instructions as to what must be done in case of an air raid. For example, it helps if citizens prepare a small bag filled with the most necessary items, and the shelters must be rearranged so that "one can at least sit in them." We learned from authoritative sources that this amounted to a "preventive action" organized at the district level, and that a bomb shelter maintenance enterprise (?) was formed [Preduzece za sklonista] with headquarters in Belgrade, and that the enterprise also

had subsidiaries. These will see to it that no one in the peaceful districts is stunned by anything.

The poster suggesting wartime preparations somehow appeared simultaneously with the new consolidation of municipal power. The opposition has assumed responsibility for managing the city, and this has, indeed, aggrieved representatives of the party in power. Sharp debate regarding this subject, and elbowing behind the scenes, have electrified primarily the central newspapers and the newspapers loyal to the regime, while public opinion in the municipality has not manifested great interest. One should not be amazed over this because we know well that an all-encompassing centralization has already taken place as a result of grabbing hold of enterprise public administrative [as published] key positions, and that the authority of municipal organs has shrunk to a minimum after the elections.

In other words, the new regime has arrived, and bilingual signs have once again appeared at the entrance of town hall. Moreover, at the first session of the executive council, members received a text typed in the Roman alphabet, despite the fact that the previous leadership (most of which has been successfully salvaged by the cabinet of the district government commissioner) has recently purchased a large number of Cyrillic typewriters paid for by budgeted funds. In other words, Cyrillic letters prevailed for a while, but now they will again use Roman letters. [passage omitted]

Macedonian Daily on Terrorism in Montenegro

92BA1330A Skopje NOVA MAKEDONIJA
in Macedonian 9 Aug 92 p 5

[Unattributed report: "Terrorism Is Devastating Montenegro"]

[Text] While evil was escalating, threatening great bloodshed, the existing authority was dismantling itself and admitting to the existence of paramilitary formations.

Plevlje, 8 Aug (Makpres)—For almost an entire year, Muslims in Pljevlje, in Montenegro, have been exposed to a variety of mistreatment and are witnessing the destruction of their property. In some 10 months alone, approximately 30 attacks have been mounted with explosives, bombs, and other "infernal devices" aimed at hotels, stores, services, and other properties owned by Muslims. So far, no single perpetrator has been identified.

The official Montenegrin authorities rejected the idea that this was well-organized political terrorism and that paramilitary forces were waging wars for their "holy objectives." People armed themselves as best they could, mostly according to party affiliation.

Even while the evil was only escalating, threatening bloodshed in Pljevlje and, therefore, in Montenegro and in the so-called Yugoslavia, the ruling authorities were dismantling themselves. Momir Bulatovic, who, almost until yesterday claimed, that there are no "paramilitary

forces" in Montenegro, visited Pljevlje together with Dobrica Cosic. She confirmed what the people had long been whispering: The Ministry of Internal Affairs was not doing its job! It was favoring some groups, above all those with a Greater Serbian orientation. Obviously, this was not mentioned publicly but was crystal clear.

Cosic and Bulatovic promised the people of Pljevlje, especially the Muslims, safety and security. However, in return, they demanded loyalty and the guarantee that they would never seek "Muslim autonomy," although no Muslim in Pljevlje had even considered or, even less so, asked for such a thing.

During their visit to Pljevlje, Bulatovic and Cosic said that joint patrols of the MVR [Ministry of Internal Affairs] and the Armed Forces would be set up and that a "coordinated disarmament action" would be launched immediately. According to a conclusion of the Supreme Defense Council of the Federal Republic of Yugoslavia, by order of Serbia, Montenegro, and Bosnia-Hercegovina, there were paramilitary formations threatening the property and personal safety of the people and promoting interethnic intolerance.

At one point, it seemed that Bulatovic was unwilling for criticism to go so far as to confuse the "Green Berets" with the "White Eagles." One Zdravko Stanisic, who identified himself as commander of the "White Eagles" in Montenegro, informed Bulatovic through the information media that the "White Eagles" was not a secret organization but an open one and that many brave people, both known and unknown, belonged to the "White Eagles," which formed an intrinsic part of the united country of the Serbian people.

Unfortunately, the Muslims have not gained anything from the intervention of the two presidents or from the debate in the Montenegrin Assembly concerning the situation in Pljevlje. Only a few hours after the presidents gave assurances that "a law-governed state has arrived"—a statement ironically repeated in Pljevlje—there were further explosions. Once again stores owned by Muslims were attacked, and "uniformed individuals" of the same threatening variety were walking the streets.

One of the powerful "promoters of the Serbian cause," the person who is believed in Pljevlje to pull the strings that are threatening the city, Ceko Dacevic, says that "these are actions perpetrated by Muslims with a view to receiving compensation and avoiding paying taxes." According to the weekly MONITOR, he is being charged only because his hair is long and he has a beard. He added that it was because of his heroism that the leader Seselj had promoted him to the rank of major. Without any restraint, he said that "the time has come to pay for what has been done to the Orthodox population for the past 500 years." He did not miss the opportunity of informing Slavko Perovic, the leader of the Montenegrin liberals, that he would be pleased to cut off his head!

The police chief in Pljevlje has been replaced, but his subordinates were promoted. Pavle Bulatovic, the chief of the Montenegrin police, became chief of the Yugoslav police, and his deputy, Maksim Korac, took the latter's place. We already mentioned that all that time not a single terrorist was identified, although there have been hundreds of them. According to some people, there were even more than that. More specifically, the person who threw a bomb at the automobile of Vojislav Seselj, the leader of the collaborators, was known. This should be sufficient for the investigation to proceed. Currently, the sites of independent newspapers are being attacked with explosives, newsmen are being killed, known intellectuals are being persecuted, and not only the property but also the lives of Muslims are being threatened, as are those of the so-called 100-percent Montenegrins. These are facts that the powers that be ignore.

One thing is for sure. All too long the authorities have kept quiet about the terror that is devastating Montenegro. All too long they have closed their eyes (unless they were involved) in the face of party, tribal, and other rearming of the population, arrogantly rejecting any remarks that they were not doing their jobs in a way that would guarantee the citizens peace and safety. A situation has now been reached in which hot chestnuts are being pulled out of the fire with bare hands. Who will be able to do that? We are still hoping someone will because otherwise all that is now taking place in the former Yugoslavia will appear like child's play compared to what could happen in Montenegro.

The eyes of the "nonmilitary" part of the Montenegrin population are focused on Pljevlje in the hope that there will be an end to attacks against Muslims and threats against those who may think differently.

Muslim Leader Seeks Aid of Patriarch Pavle

*92P20370A Skopje FLAKA E VELLAZERIMIT
in Albanian 3 Jul 92 p 6*

[Unattributed article: "Why Is There Not an Outcry Against Genocide?"]

[Text] Skopje, 2 Jul—Reis-ul-Ulema Haxhi Jakub Selimoski, supreme leader of the Islamic community in the FRY [Federal Republic of Yugoslavia] and the successor states, sent the following letter to Pavle, the patriarch of the Serbian Orthodox Church:

"In these difficult days when our hearts are broken as we see how the greatest gift of God is destroyed in such a merciless way, it our duty, as those who chose to follow the path of the Lord, to use the commandments of our faiths to provide for the future of the individual in these areas.

"Honored Patriarch Pavle, an unprecedented war is taking place in Bosnia and Herzegovina. Indeed, it is not a war but planned genocide against a people simply because it belongs to a different culture, because it

belongs to the Islamic faith, and merely because it expresses a desire to be free like all other people.

"More than 40,000 Muslims, the majority of whom were women, the elderly, and children who were unarmed, have been killed in a brutal manner. Today, unfortunately, under the control of the Federal Army and Serbian irregular and paramilitary forces, more than 50 concentration camps are in operation and more than 100,000 Muslims are confined in them. They are located in the vicinities of Sarajevo, Bratunc, Bosanska Krupa, Prijedor, Sanski Most, Glamoc, Bihać, Gacko, Visegrad, Foca, Rogatica, Berchko, Doboj, Banja Luka, Bosanski Novi, Vlasenica, Zvornik, and other places.

"Patriarch Pavle! How low has human dignity sunk? Has it sunk to the level of that contemptuous force that is launching attacks to liquidate members of the Muslim faith?

"At the time that I am writing this letter I am extremely anxious because I have not been hearing your voice of authority. I do not hear this voice intervening to seek the release of the theologians from the Islamic Community; Nijaz Sukric, professor of the Islamic Theological Faculty in Sarajevo, and Ibrahim Djendanovic, professor of the Islamic Theological Faculty in Sarajevo and a member of the Islamic Community Assembly in Bosnia and Herzegovina, who are imprisoned in Kula near Sarajevo, after being forcibly taken from their residences, as well as Hasan Makic, member of the highest organ—the Rijaset of the Islamic Community—Safet Karaman, chief imam of Visegrad, and Ruvejd Jakic, imam of Divic and Zvornik. Five other imams have been done away with in a brutal manner.

"Patriarch Pavle! I am appealing to you to demand that those who committed these crimes release the aforementioned persons, and others not mentioned, immediately and without any restrictions.

"I am asking this because we will have to live together tomorrow here in the Balkans, every good deed will determine the future, and because this is your duty and mine.

"I greet you, your excellency, in a desire to ensure that peace will reign and that God's mercy will prevail in this land."

Ineffectiveness, High Cost of Satellite Program

*92BA1340A Belgrade BORBA in Serbo-Croatian
11 Aug 92 p 8*

[Open letter by Mario Mijatovic, editor in chief of Serbian-Language Television in Toronto, to Radio-TV Serbia: "The Satellite Dishes Are Not Opening Eyes"]

[Text] As an initiator of the campaign to create the first Serbian-Language Television broadcasting in Canada, and as its editor in chief, I address you in the name of the personnel of Serbian-Language Television in Toronto

and on behalf of a large number of our people in this area, the open letter from the editor in chief of Serbian-Language Television in Toronto begins, and it continues:

The reason why I am writing this is the satellite TV broadcasting for the area of North America and Europe.

It took us a long time to decide to write this letter, I might better have said protest, because we hoped that you yourself would use your own eyes and finally put a stop to all those actions that are leading our country, Serbia, to ruin.

We will not criticize you on this occasion because of your lack of objectivity in writing the news program, but we would like to call your attention to your heedlessness and lack of maturity about business concerning creation of the Satellite Program.

The Satellite Program costs Serbia all of \$5 million annually, not to mention the studio expenses of producing and transmitting the programming. You undertook this entire project without checking the market beforehand or guaranteeing return of the money. During the past year that you have been broadcasting this programming, you have collected about \$20,000 from North America, while the actual cost for this region is about \$2 million. Your other director says that with the help of this programming the news blockade concerning Serbia and in the world will be broken. That cannot be true, because this broadcasting can be viewed only by means of satellite "dishes" that we confidently state that no Canadian or American will aim at your satellite, even if they have them, and you can count them on the fingers of one hand. No one watches this programming except us Serbs, and the number of us, according to the most recent information we have obtained from all areas of North America where Serbs are concentrated, is no more than a few thousand (more detailed figures will soon be accessible to the public).

And these are mainly people who gather in various clubs and restaurants, because the antennas are so expensive few people are willing to buy them. Mr. Milan Panic, now the prime minister of Yugoslavia, has a 49-percent "share" in this project. Until recently, it was well-known that instead of the promised \$1 million, he had invested only \$50,000 in this project.

Money From the Peasants

The Croats have gone about "breaking" the news blockade in this region differently and very successfully. Instead of expensive satellite programming, they have started local TV programs, radio programs, and the like. They have had the greatest success with advertising over television in which they appeal to the world to save Croatia and its people. They paid \$400,000 for this, and the result is well known. The Serbs are murderers, and they are the victims.

Because your programming has had no constructive effect with either the Canadian or American public,

which is something of which we here are most aware, we call upon you in the name of reason and reality and before God and man, to halt immediately any further transmission of the broadcasting referred to.

Our people here who watch that program certainly enjoy it, but under these circumstances anyone who has a soul would rather see those millions of dollars go where they are more needed. On your daily news program on 23 July, you showed a Belgrade hospital for cerebral paralysis [as published] of children. They no longer have the money even to feed those poor children, nor even for laundry detergent. The Lazar Lazarevic Psychiatric Hospital also lacks food for its patients, and so the doctors and other personnel are making donations from their own modest salaries so that their patients do not die of starvation. Be realistic, be patriots, and see all the things you could do with that money in Serbia and how many children's lives you could save. After all, let us mention once again that this programming of yours has not broken any foreign news blockade.

When I asked one of your colleagues where you would get the money for this kind of project, he said: "From the Serbian peasant, who else?" You have taken money from the Serbian peasant and worker, without even asking them, because you probably think that you are above them and above God, and you need not answer to anyone. You cannot expect that kind of financial aid from us in the emigre community, you know quite well, because we are also in a great economic crisis, and many are unemployed. What is more, we have already given quite a bit to various foundations and contributions.

In the name of all the decent and generous Serbs of Canada, America, and Europe, and on behalf of the several thousand disabled war veterans without arms and legs or eyes, in the name of all the sick children in Serbia, in the name of the hundreds of thousands of refugees, in the name of all those who are hungry, in the name of all those who this coming winter will be colder than ever before because of the lack of heating oil resulting from the sanctions, and in the name of all those who need whatever help and care they can get, we renounce your programming, and let that be our assistance to our brothers in Serbia from Nis to Knin and from Vukovar to the plains of Kosovo.

There Are Greater Problems

We call upon you as fellow journalists to publish this letter of ours in its entirety on your very next news program after you receive it. When you could find the time to read letters of support to Comrade Milosevic on a series of your programs, we feel that you will show sufficient solidarity to allow this letter to be made public, because if you honor its content, it could save at least one life in Serbia threatened with illness or starvation.

Milan Panic, the new prime minister of the new Yugoslavia, said a few days ago that we are not waging an armed war, but a media war. A war with cameras and microphones.... Shame on both him and you, because

you are neither waging that war, nor do you know how it is waged. You have thrown away your money (the first \$5 million has already been spent, and what they have been writing and saying about you in the world has been getting worse and worse). For us here, \$5 million is a large amount, but probably not for you. You figure that Serbia is rather rich. To whom did that state render accounts for the billions of dollars taken away from foreign exchange savings depositors?

In Serbia today, there are many greater problems that need to be solved other than worrying about satellite television and its costs, but I must say and demand that

Serbia be given an honest explanation as to how its money is being spent, and, on the other hand, if it is spent, then let it be used to serve its interests in the world; if necessary, start up a proper company for political marketing so that those funds would correct the distorted picture about us in the world. Unless we show the true state of affairs in the world, we will not do much for our own benefit.

Stop and think it over. Discontinue this programming, and use that money to do something good for all of us, reads the open letter that Mario Mijatovic sent on behalf of Serbian-Language Television in Toronto.

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